REPORT

on implementation of the European Progress Microfinance Facility (2015/2042(INI))

Committee on Employment and Social Affairs

Rapporteur: Sven Schulze
## CONTENTS

<table>
<thead>
<tr>
<th>Motion</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION</td>
<td>3</td>
</tr>
<tr>
<td>EXPLANATORY STATEMENT</td>
<td>13</td>
</tr>
<tr>
<td>OPINION OF THE COMMITTEE ON BUDGETARY CONTROL</td>
<td>17</td>
</tr>
<tr>
<td>RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE</td>
<td>22</td>
</tr>
<tr>
<td>FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE</td>
<td>23</td>
</tr>
</tbody>
</table>
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on implementation of the European Progress Microfinance Facility
(2015/2042(INI))

The European Parliament,

– having regard to the Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on implementation of the European Progress Microfinance Facility – 2013 (COM(2014)0639),

– having regard to the Interim Evaluation of the European Progress Microfinance Facility of 5 May 2015¹,

– having regard to the ‘Study on imperfections in the area of microfinance and options how to address them through an EU financial instrument’²,


– having regard to Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion⁴,

– having regard to its resolution of 24 March 2009 with recommendations to the Commission on a European initiative for the development of microcredits in support of growth and employment⁵,

– having regard to the European Parliamentary Research Service’s in-depth analysis of May 2015 entitled ‘European Progress Microfinance Facility – Interim evaluation’⁶,

– having regard to Rule 52 of its Rules of Procedure,

– having regard to the report of the Committee on Employment and Social Affairs and the opinion of the Committee on Budgetary Control (A8-0331/2015),

A. whereas microfinance contributes to meeting the objectives of the Europe 2020 Strategy; whereas microfinance can lift people out of poverty and unemployment, give

¹ http://ec.europa.eu/social/main.jsp?catId=738&langId=fr&pubId=7760
⁴ OJ L 87, 7.4.2010, p. 2.
⁵ OJ C 117 E, 6.5.2010, p. 85.
them dignity and enhance cohesion in communities by improving social inclusion and minimising social divergences;

B. whereas the objective of the Facility is to increase access to, and availability of, microfinance for persons who have lost or are at risk of losing their job, or 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-enterprises, including self-employment; whereas the objective of the Facility is also to increase access to, and availability of, microfinance for micro-enterprises and the social economy;

C. whereas the objective of the Facility is to improve the capacity of intermediaries to increase the number of potential operations, in order to generate employment through quality job creation, growth and social inclusiveness in local communities;

D. whereas the financial situation of women borrowers appears to be worse than that of men, with a higher share of women being unemployed or at risk of poverty\(^1\); whereas the ratio between female and male entrepreneurs benefitting from the Facility is only 36:64 and is still insufficient in terms of equal gender balance;

E. whereas the marginalisation and multiple discrimination suffered by certain groups of women further exacerbate their economic disadvantage and difficulty in accessing financing; whereas the insertion of women suffering from exclusion should be a priority;

F. whereas an increasing number of women participating in the labour market are also primary breadwinners for their families; whereas the rate of single parents is higher for women than for men; whereas microfinance should benefit an increasing number of women;

G. whereas the social economy includes cooperatives, mutual societies, non-profit associations, foundations and social enterprises, which contribute to the Union’s employment, social cohesion, regional and rural development, environmental protection, consumer protection, agricultural, third-country development and social security policies;

H. whereas, as a consequence of the economic and financial crisis, levels of poverty and social exclusion have increased, as have long-term unemployment, youth unemployment and social inequalities;

I. whereas the Facility improves the conditions under which borrowers can obtain loans and makes financing available for otherwise non-eligible individuals; whereas microfinance intermediaries (MFIs) have benefited from the Facility in 22 Member States; whereas the overall objective of the Facility is to disburse 46,000 microloans by 2020, representing an estimated amount of EUR 500 million;

\(^1\) Interim Evaluation of the European Progress Microfinance Facility
J. whereas the repayment rate by borrowers is estimated at 95%; whereas the Facility has helped individuals to enter or re-enter the labour market, or start their own businesses, and helped self-employed people to preserve or expand their microenterprises in terms of jobs preserved, new hires and turnover generated; whereas the Facility has reached remote European areas and triggered economic activity;

K. whereas outreach to minorities remains difficult to assess as most MFIs are not specifically engaged in an activity to increase outreach to minorities; whereas recipients of microloans do not necessarily see themselves as a marginalised group or fear discrimination if their ethnic background is disclosed;

L. whereas 60% of the individuals for whom data are available were either unemployed or inactive at the time of their microloan application; 84% of recipients were in the age group of 25-54, and 36% of recorded entrepreneurs supported by the loans were female;

M. whereas the Facility should be assessed qualitatively and not just quantitatively; whereas although it is simpler to assess this Facility in terms of economic efficiency, its efficacy as a means of ensuring social inclusion should also be assessed, as should the quality and knock-on effect of the jobs created;

N. whereas the targeted ratio of 40:60 between female and male entrepreneurs has almost been reached, and whereas it is significantly higher than the Union average;

O. whereas take-up of the Facility has been strongest in the southern and eastern Member States;

P. whereas business development services such as training and mentoring are key to the success and viability of a microenterprise;

Q. whereas the absence of financing of enterprises in the social economy has been identified as a shortcoming of the Facility;

R. whereas there are indications that microfinance might be one element in supporting businesses to transition from the shadow economy to the status of declared economic activity;

S. whereas a greater degree of public disclosure of data related to the provision of microloans by MFIs is the best way of promoting better use of public funding; whereas a greater degree of public disclosure of data facilitates comparisons of the performance of MFIs;

T. whereas there is potential for synergies between the Facility and the European Social Fund (ESF), the European Fund for Strategic Investments (EFSI) and other EU funds, thus avoiding undesirable overlaps;

U. whereas Article 6 of the Financial Regulation stipulates that ‘the budget shall be established and implemented in accordance with the principles of unity, budgetary accuracy, annuality, equilibrium, unit of account, universality, specification, sound
financial management which requires effective and efficient internal control, and transparency’;

V. whereas the Facility benefits from EU funding and from the European Investment Bank’s financial contribution, both of which are managed by the European Investment Fund (EIF); it also foresees additional funding from private investors;

W. whereas this instrument is still not well known to potential beneficiaries, as demonstrated by the fact that the volumes of microcredit granted have fallen short of the predetermined target;

X. whereas this instrument is still relatively unknown to its possible beneficiaries, as shown by the volume of microloans granted that are lower than the set target, in particular in Italy, as set out in Special Report No 8/2015 of the European Court of Auditors entitled ‘Is EU financial support adequately addressing the needs of micro-entrepreneurs?’;

Increasing access to microfinance

1. Stresses the importance of a financial instrument such as the Facility in times of financial crisis in creating new undertakings, promoting new employment and ensuring that unemployed, disadvantaged people and microenterprises have access to financing, while mitigating the risk for MFIs;

2. Notes that the impact on employment creation was less than initially expected, in spite of the fact that many recipients would have been completely excluded from the credit market were it not for microcredit; believes that this less-than-expected impact on employment creation can partly be explained by the fact that the Facility was implemented at the same time as the economy was experiencing a major economic crisis which impacted both on the credit market and on employment figures; notes, however, that the Facility substantially contributed to job preservation; takes into account that this will be addressed by the new, more flexible EaSI instrument;

3. Regrets the high number of rejected applications for microfinance (almost 2 000 applications were rejected, partly on grounds of over-indebtedness of persons and undertakings) and the still significant microfinance market gap, despite the increase in the number of micro-borrowers; calls on the Commission to conduct a more detailed study of the reasons for these rejections, including finding ways to resolve them;

4. Underlines the importance of the Facility, especially in times of crisis, in its role of enabling unemployed and disadvantaged people to have access to financing; emphasises that given the current migration and asylum crisis in particular, micro-financing can act as a fundamental support for refugees and migrants entering the EU labour market;

5. Calls on the Member States to establish contact points to promote knowledge among potential beneficiaries and citizens in general about the Facility;

6. Calls on the Commission and the Member States, capitalising on the experience gathered so far, to raise awareness, particularly in remote regions and within
communities, especially in those with a minority background or within organisations for persons with disabilities, about the existence of the Facility, its benefits and the ways to access it;

7. Notes that in 2013 actions funded under the Facility included senior loans and guarantees; notes in addition that some MFIs receive both a guarantee and a loan but that these two instruments always cover different portfolios;

8. Calls for the Facility to take account of the added value of projects in regions with severe and permanent natural or demographic handicaps, such as sparsely populated regions and regions undergoing depopulation, since this will not only stimulate job creation there but also help maintain population levels;

9. Urges the Commission and the EIF to make the Microfinance and Social Entrepreneurship (MF/SE) axis of EaSI operational as soon as possible so as to secure access to money for the beneficiaries; expects that EaSI will tackle successfully the shortcomings of the Facility;

10. Calls on the Commission to assess the suitability of the current definition of microcredit with a view to ensuring that future financial instruments meet the needs of the market and of beneficiaries and the targets defined in Article 2 of the Decision;

11. Encourages the Commission and the Member States to gather and assess data on the characteristics of microenterprises, their needs and their survival rates, and to propose adjustments to the EaSI Regulation, if necessary, during the mid-term review; welcomes the fact that the balance and the reflows available at the end of the Facility will be injected into the budget of the MF/SE axis of EaSI, thus increasing the number of guarantees and funded instruments that will be offered to microborrowers;

12. Welcomes the fact that all seven of the financial instruments of the Facility hitherto examined have attracted additional private funding; expresses concern, nevertheless, that according to the report by the Court of Auditors, as far as guarantees are concerned, the target values for leverage ratios were achieved in only one case out of seven, and in two cases were not achieved;

13. Welcomes the increased flexibility of the new programme under EaSI in responding to changing needs in respect of reallocation of the funds among axes of the programme; calls on the Commission to avoid double funding by developing clear and transparent synergies between EaSI and other Union programmes and initiatives;

14. Calls on the Commission to provide greater publicity and information concerning the Facility and the means of access to it;

15. Calls on the Commission to enlarge the geographical scope of the Facility, in order to reach every Member State; highlights the need to widen the sectorial scope of the Facility beyond the agriculture and trade sectors;
Reaching target groups and social impact reporting

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

17. Notes that the Facility has started its operations as a pilot project; notes, furthermore, that weaknesses were identified in terms of outreach to vulnerable groups such as migrants and disabled people; believes, however, that lessons learned have been taken into account and that some of the shortcomings have already been tackled in the EaSI instrument; welcomes the fact that the strategic assessment of the targets has been developed in accordance with the Europe 2020 objectives;

18. Calls on the EIF to cooperate with MFIs, requiring them to apply the European Code of Good Conduct for Microcredit Provision and prioritising those MFIs that have demonstrated their ability and willingness to cooperate with organisations providing further support to final beneficiaries; also calls on the EIF to enforce provisions in agreements with MFIs requiring them to cooperate more closely with organisations representing vulnerable groups in order to reach target groups more effectively;

19. Calls on the Commission to improve methods of evaluating the viability, and the impact within their community, of businesses after repayment of the microcredit;

20. Calls on the Commission and the EIF to improve reporting about beneficiaries and MFIs, while recognising that a balance needs to be struck so as to not overburden MFIs; stresses that the information that would be required for an appropriate report is provided by both the MFIs and the microborrowers in order to obtain a loan;

21. Finds it regrettable that information on the use of the loans and guarantees related to the Facility is fragmentary and incomplete and lacks detailed information on the employment status of the final recipients, even though the Court of Auditors found that the reporting was in keeping with the requirements of the Decision;

22. Calls on the EIF to ensure that MFIs publicise data on the number and the amount of microloans provided and on the type of final beneficiaries;

23. Calls on the Commission to pursue equality between men and women in terms of access to microfinance and to envisage an equal target ratio between male and female entrepreneurs in the future; calls on the Commission and the Member States to encourage MFIs to implement specific strategies to target women and support female entrepreneurship, including through cooperation with relevant associations and organisations in the field;

24. Calls on the Commission and the Member States to further promote the visibility and information as regards the possibilities of financing under this Facility, including
through awareness-raising campaigns, exchange of best practices among women entrepreneurs, and workshops and training that specifically target women, with a view to achieving better gender balance in access to microfinance;

25. Calls on the Commission to take into account the benefits of microfinance for women, including the creation of sustainable jobs; calls on the Commission to facilitate exchanges of views and sharing of good practices between women entrepreneurs;

26. Recognises the importance of the targeted ratio between female and male entrepreneurs; believes, however, that the success of the Facility should not be measured solely by blanket targets but on the ability of the Facility to enable micro-entrepreneurs and small and medium-sized enterprises to get their projects off the ground and contribute to economic growth and social cohesion;

27. Urges the Commission to focus its efforts to improve access to microfinance for potentially excluded clients, such as migrants, refugees, long-term unemployed, young people, low-income persons, low-skilled workers and people with disabilities, who are currently not benefiting enough from the Facility;

28. Calls on the Commission to view refugees and asylum seekers as a target group;

29. Calls on the Commission to multiply the initiatives and funding available for granting microcredit to innovative start-ups run by young people, in order to support youth entrepreneurship and high technological, scientific and social innovation at a time of economic crisis and difficulty in obtaining access to credit; stresses, moreover, the need for the Member States to strive to reduce the red tape imposed on entrepreneurs in order to gain access to the funds made available to them by the Union;

Supporting the social economy

30. Regrets that the Facility has not funded a significant number of social enterprises; welcomes the fact, therefore, that a specific percentage of the EaSI budget is dedicated to the funding of social enterprises;

31. Encourages the Commission to closely monitor this new feature and to encourage the Member States to exchange data, knowledge and best practices in this respect, ensuring appropriate reporting from MFIs, and motivating them to support projects with high social impact among their potential clients;

32. Invites the Commission to assess, and if necessary review, the cap stipulated for loans to social enterprises under EaSI, so as to give them the necessary, and adequate, resources for their beneficial development and so that market needs are met;

33. Highlights the importance of a gender perspective being incorporated into funding programmes; believes that gender impact assessments and gender budgeting are useful in evaluating and improving the impact on women of funding priorities, the allocation of financial resources and specifications for funding programmes; emphasises the need for gender-disaggregated data to be systematically collected and regularly analysed;
Mentoring and training services and complementarity with other instruments

34. Welcomes the possibility under EaSI of funding capacity-building of MFIs and technical assistance for MFIs to improve their professionalisation, service delivery, and gathering and processing of data to allow better feedback about the Facility; proposes, therefore, the establishment of a website where projects can be presented and information about them found, and a Community database which includes credit information and perhaps the possibility of drawing attention to any obstacles (including – particularly – those of a bureaucratic nature);

35. Encourages the Commission to link the Facility with basic entrepreneurship training so that businesses' economic viability and the aim of the lending are ensured;

36. Notes that 44 % of all entrepreneurs supported by the Facility existed for less than one year, while 56 % were still in existence the year after; calls on the Commission to further evaluate the viability of the micro-businesses financed through the Facility; calls on the Commission to encourage the development of employment sustainability through adequate guidance and training, financed under EaSI, in order to secure a long-lasting impact;

37. Deplores the fact that business development services, including mentoring and training, cannot be directly financed under EaSI, and calls on the Commission to investigate future financing avenues with appropriate new instruments in partnership with national or Union funds;

38. Notes that the ESF should provide key financing for creating enterprises, viable microfinance and social entrepreneurship, together with mentoring and training programmes; finds it regrettable that these tools are not directly financed by the EaSI;

39. Recommends that the Commission and Member States develop their strategic cooperation with local and regional organisations and institutions regarding EaSI, ESF and other possible national programmes, promoting their cooperation with MFIs and final recipients, in order to improve the assistance given to microborrowers in terms of training, mentoring and overall support for greater business viability;

40. Welcomes the possibility of using funds from the ESF for the MF/SE axis of EaSI, and invites the Commission and the EIF to inform the MFIs better about this possibility under Article 38 of the Common Provisions Regulation1;

41. Calls on the Commission and the Member States to ensure that EFSI is available to finance microenterprises;

Microfinance intermediaries

42. Encourages the Commission to coordinate ESF and EaSI support in order to improve complementarity between the two programmes, with regard to Microfinance Facilities, focusing among other things on cooperation between MFIs and business support centres co-financed by the ESF;

43. Welcomes the microcredit intermediary selection process, which is in compliance with the EIF’s rules and procedures, and reiterates Parliament’s request that those intermediaries should comply with the principles of responsible lending and avoidance of over-indebtedness of persons and undertakings;

44. Recommends that the procedure for access to the instrument be simplified and that agreements between MFIs and the EIF be more flexible and easier to understand, allowing smaller MFIs to make full use of the funding instruments and the EIFs facilities quickly;

45. Deplores the fact that a significant number of applications for the Facility were not completed and could not be approved by the Commission; asks the Commission to assess the reasons for this failure (e.g. a lack of information or accessibility, or a bureaucratic burden requiring simplification); calls on the Commission to act quickly to resolve the problem;

46. Calls on the Commission to ensure that greater publicity and information are provided as regards the Facility and how to gain access to it, in addition to simplifying the procedure and making the agreements between microfinance intermediaries and the EIF more flexible and easier to understand, enabling smaller intermediaries to gain faster access to the market;

47. Calls on the Commission and the EIF to assess how to better disseminate the benefits of the Facility to a wider public, beyond the existing requirements imposed on MFIs;

48. Encourages the Commission to strengthen cooperation between MFIs and organisations engaged in representing the interests of beneficiaries, beyond the advertising of products or the finding of new clients;

49. Calls on the Member States to develop the microfinance sector, so as to enable it to be expanded, which is necessary in order for the Europe 2020 objectives to be reached, and to make use of the Facility, by investigating possibilities for non-bank intermediaries to enter the microcredit market without depending on a partnering bank;

50. Encourages the Commission to strengthen its dialogue with microfinance actors (MFIs, banks and non-banks, networks such as the European Microfinance Network), as well as with stakeholders currently not included, regarding the accessibility, use and design of the products to be offered under Union-funded programmes;

51. Encourages the Commission and the Member States to facilitate exchange of best practices among MFIs from different Member States;

52. Calls on the Commission and the EIF to ensure that the MF/SE axis of EaSI further promotes the dissemination and integration of the European Code of Good Conduct for
Microcredit Provision in contracts with MFIs;

53. Considers that the Commission’s report on the implementation of the European Progress Microfinance Facility – 2013 is very general and is lacking detail with regard to its implementation;

54. Encourages the Commission to ensure that the Facility and the EaSI instrument continue to contribute to the EU's added value and visibility;

55. Instructs its President to forward this resolution to the Council and the Commission, and to the Governments and Parliaments of the Member States.
EXPLANATORY STATEMENT

Background

Microloans originated in south Asia and Latin America, where the first microloan initiatives emerged over 40 years ago, and have been operating very successfully for the most part since that time.

The positive effects for the local economy achieved by granting microloans as part of action to combat poverty in developing countries prompted the EU to create the Progress Microfinance Facility in 2010, with total funding of EUR 205 million, the aim being to give socially and financially disadvantaged people in Europe a chance to build a decent life.

Progress Microfinance is currently available in only 22 of the 28 Member States. The reasons for this incomplete coverage are the varying degrees of economic development, varying degrees of market interest and the current legislative basis in each country.

The Commission last examined the situation with regard to Progress Microfinance in an implementation report in 2013 and has also drawn up an interim report for the facility, which is to remain in operation until 2016.

The Progress Microfinance Facility has a social policy dimension and aims to provide easier access to microloans to set up or support microenterprises. It does not finance micro-entrepreneurs itself but enables microfinance providers (‘intermediaries’) participating in the programme in the EU to grant more loans, thanks to improved guarantees based on the possibility of refinancing from Progress Microfinance.

Progress Microfinance is a significant and effective instrument with which to achieve the EU’s employment and social policy objectives under the 2020 Strategy. A significant number of new jobs are created by newly established firms. Almost 85% of these jobs are created in microenterprises. Demand for microloans is correspondingly high, but the people seeking these loans are not able to obtain them from the classical banking sector because they represent a prohibitively costly target group.

Progress Microfinance helps to provide a way (back) into the labour market, release entrepreneurial potential, acquire new skills through training and mentoring, and give people dignity by enabling them to take responsibility for their own lives.

According to the current (questionable) EU definition, which is still in force, microloans granted to microenterprises (firms employing fewer than 10 people whose annual turnover or annual balance sheet total does not exceed EUR 2 million – Article 2 EaSI – Programme for Employment and Social Innovation) may not exceed EUR 25 000 EUR.

Target groups
The Progress Microfinance Facility is primarily a social policy instrument and only secondarily an economic policy instrument. It focuses on target groups whose role in the economy has previously received too little attention: (long-term) unemployed people, people on benefit, immigrants, ethnic minorities, people working in the informal economy or living in disadvantaged rural areas, and women.

**Specific features of the Progress Microfinance Facility**

As far as banks are concerned, microloans for the above target groups represent individually risky and costly transactions, particularly given that, alongside the actual loan, significant numbers of staff are required to provide advice on the business project and its implementation (mentoring and training). All this makes microloans expensive, low-margin and unattractive in terms of marketing.

This means that microloan services will always be distinct from classical banking services, since their social cohesion objective gives them a strong social policy dimension. Granting microloans serves an economically and socially useful purpose, since financial support for people to become self-employed is less costly for state institutions than spending on unemployment benefit, while also providing a launchpad for people to start their own business.

**State of play at the midpoint of Progress’s lifespan**

On the whole, the Progress Microfinance Facility can be considered to have been a success; indeed, if sufficient funding was available, significantly higher demand could be met. 13 252 microloans worth EUR 124.6 million have been granted, slightly less than the target of EUR 142.4 million.

Many if not all of the target groups have been reached.

The target ratio of 40:60 for female and male entrepreneurs has virtually been achieved (37% of beneficiaries are women entrepreneurs), even though not all intermediaries had introduced special programmes for business start-ups by women. This represents a significantly higher proportion of female entrepreneurs than the EU average. The aim should nevertheless be to achieve an equal ratio.

According to the interim report, 17% of the borrowers surveyed had previously been unable to obtain a conventional loan from a bank. 68% said that they were applying for a loan for the first time, and a further 56% assumed that it would have been impossible for them to obtain a loan on similar terms elsewhere. 43% of those surveyed reported income below the corresponding national poverty threshold – a significantly higher proportion than the EU average of 18.2%. 17% described themselves as materially deprived – which is almost twice the average for the EU population. It can thus be seen that Progress Microfinance is indeed lowering the threshold for being able to obtain credit.
Progress Microfinance’s effectiveness in the case of disadvantaged groups and the social economy is less clear. This can partly be attributed to the fact that many recipients may not describe themselves as being of (ethnic) minority background for fear of discrimination. Inadequate or insufficiently developed indicators and reporting obligations also mean that the data collected is incomplete.

The facility has not been so effective in the social economy, since on the one hand many intermediaries do not have specific programmes for this section of the economy, and on the other hand entrepreneurs in the social economy often require more money than the amount possible according to the definition of microloans. This shortcoming seems to have been recognised by EaSI: Article 26(c) will ensure better access to finance for social enterprises. The cap stipulated in EaSI should be reviewed to assess whether it meets market needs.

It is difficult to assess the sustainability of the jobs created at this stage, since many Progress Microfinance loans were granted less than a year ago. It is nevertheless important to make provision for continuing to monitor the market success of microenterprises after their loan has come to an end.

**Allocation of ESF funds to the EaSI instrument under the Common Provision Regulation**

Of particular importance is the possibility to attribute ESF funds to the EaSI instrument. According to Article 38 (1a) of the Common Provisions Regulations, it is possible to allow ESF authorities to allocate parts of the financial means of the ESF to other financial EU instruments such as EaSI. Regional financial means from the ESF for example attributed to EaSI would then have to be spent in the same region.

The specific compartment for ESF under EaSI would have to respect the general parameters of EaSI (e.g. minimum leverage effect), but could also add some specific conditions (e.g. a specific target group, like young micro-borrowers, women, disabled).

This agreement would include the general rules of the EaSI financial instruments, as well as the rules specifically applying to the chosen window. These specific rules could, for example, ensure that the guarantees and loans are used for the benefit of people or enterprises of the country or region covered by the operational programme, and possibly targeting specific populations such as young people (‘ring-fenced contribution’).

The advantage is that not only the entrusted entity (the EIF) is already selected by the Commission, but practically all parameters of the financial instruments are also determined.

Member States using this option would see their administrative burden reduced, as the management and control of the funds would be the responsibility of the EIF.

Member States and their regions can hence merge funding capability when blending EU and national resources, and they can profit from the expertise of the EIF in managing financial instruments.

**European Fund for Strategic Investments (EFSI) and microenterprises**
The cross-party position of the EMPL Committee is that microenterprises should also have access to money from the European Fund for Strategic Investments (EFSI). This view is reiterated here.

**Conclusion**

Microloans work in Europe, as well as in developing countries. In Europe, however, they should be seen first of all as a social policy instrument with which to give people in difficult social situations a chance. Other mechanisms are available to support SMEs and innovative ideas. The EU’s definition of microloans needs to be reviewed and should be adjusted to meet current circumstances. This also applies to the cap on the amount of loans, which may not be sufficient in all EU countries. The possibility for non-banks to act as microcredit intermediaries should be extended to all the Member States. It should be possible to grant EaSI financial support for expert assistance in drawing up a business plan, and for training and mentoring to develop the business idea.

We would recommend that the Progress Microfinance programme be continued, taking account of the improvements made under EaSI and the suggestions made in this report.
20.10.2015

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

for the Committee on Employment and Social Affairs

on implementation of the European Progress Microfinance Facility – 2013
(2015/2042(INI))

Rapporteur: Inés Ayala Sender

SUGGESTIONS

The Committee on Budgetary Control calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

A. whereas Article 6 of the Financial Regulation stipulates that ‘the budget shall be established and implemented in accordance with the principles of unity, budgetary accuracy, annuity, equilibrium, unit of account, universality, specification, sound financial management which requires effective and efficient internal control, and transparency’;

B. whereas the European Progress Microfinance Facility (‘the Facility’) benefits from EU funding and from the European Investment Bank’s financial contribution, both of which are managed by the European Investment Fund (EIF); it also foresees additional funding from private investors;

C. whereas the Facility was put in place to support growth and employment and combat social and financial exclusion;

D. whereas social economy enterprises improve the circumstances of the most disadvantaged groups in society in terms of employment and social inclusion and need better access to financing;

E. whereas this instrument is still relatively unknown to its possible beneficiaries, as shown by the volume of microloans granted that are lower than the set target, in particular in Italy, as set out in Special Report No 8/2015 of the European Court of Auditors entitled ‘Is EU financial support adequately addressing the needs of micro-entrepreneurs?’;

F. whereas the Facility should be assessed qualitatively and not just quantitatively; whereas
although it is simpler to assess this Facility in terms of economic efficiency, its efficacy as a means of ensuring social inclusion should also be assessed, as should the quality and knock-on effect of the jobs created;

1. Notes that in 2013 actions funded under the Facility included senior loans and guarantees; notes in addition that some of the intermediaries receive both a guarantee and a loan but that these two instruments always cover different portfolios;

2. Notes that the Facility has operated as a pilot project since 2010; notes furthermore that weaknesses were identified in terms of outreach to vulnerable groups such as migrants and disabled people; believes however that lessons learned have been taken in account and that some of the shortcomings have already been tackled in the new Employment and Social Innovation (EaSI) instrument; welcomes the fact that the strategic assessment of the targets has been developed in accordance with the Europe 2020 objectives;

3. Welcomes the fact that further budgetary resources have been allocated to the EaSI for micro-financing;

4. Stresses that the Facility’s geographical coverage within the EU is still limited, extending as it does to only 22, soon to be 23, out of the 28 Member States; calls on the Commission to make greater efforts to ensure full geographical coverage and to identify and analyse the reasons for some Member States not being covered by the instrument; encourages the Commission to provide the wider public with sufficient information on possibilities for financing by means of this instrument;

5. Underlines the growing importance of the microfinance business in the EU; welcomes the demand-driven approach of the Facility, addressing the needs of micro-entrepreneurs and attracting private funding; recommends however that the beneficiaries’ needs be made subject to further assessment;

6. Calls for the Facility to take account of the added value of projects in regions with severe and permanent natural or demographic handicaps, such as sparsely populated regions and regions undergoing depopulation, since this will not only stimulate job creation there but also help maintain population levels;

7. Welcomes the microcredit intermediary selection process, which is in compliance with the EIF’s rules and procedures, and reiterates Parliament’s request that those intermediaries should comply with the principles of responsible lending and avoidance of over-indebtedness of persons and undertakings;

8. Regrets that the social and employment impact of the Facility was scarcely assessed, particularly with regard to data on senior entrepreneurship and support for minorities; calls on the Commission to require the intermediate institutions to cooperate explicitly with minority associations in order to actively involve vulnerable groups, such as women and minority groups, in the programme; calls on the Commission, in this regard, to initiate an in-depth impact assessment analysing the Facility and its successor programme under the microfinance and social entrepreneurship (MF/SE) axis of EaSI;

9. Welcomes the fact that all seven of the financial instruments of the Facility hitherto
examine have attracted additional private funding; expresses concern, nevertheless, that according to the report by the Court of Auditors, as far as guarantees are concerned, the target values for leverage ratios were achieved precisely in only one case out of seven, and in two cases were not achieved;

10. Is of the opinion that the survival rate of the projects financed by the Facility needs to be made public and should be taken into account in updating the European Code of Good Conduct for Microcredit Provision; calls on the Commission to make the survival rate mandatory information when support is provided; emphasises that this information would be appropriate for future assessment of performance;

11. Considers that the success of the projects cannot be gauged solely in terms of the maintenance or creation of jobs and that their social aspect should also be taken into account;

12. Notes that 44% of all entrepreneurs supported by the Facility existed less than one year, while 56% continued to exist the year after; calls on the Commission to further evaluate viability of the micro-businesses financed through the Facility; calls on the Commission to encourage the development of employment sustainability through adequate guidance and training financed under the new EaSI instrument in order to secure long-lasting impact;

13. Welcomes the increased flexibility of the new programme under EaSI in responding to changing needs in respect of the funds reallocation between axes of the programme; calls on the Commission to avoid double funding by developing clear and transparent synergies between EaSI and other Union programmes and initiatives;

14. Notes that the ESF should provide key financing for creating enterprises, viable microfinance and social entrepreneurship together with mentoring and training programmes; finds regrettable that these tools are not directly financed by the EaSI;

15. Notes that the impact on employment creation was less than initially expected, in spite of the fact that many recipients would have been completely excluded from the credit market were it not for microcredit; believes that this less-than-expected impact on employment creation can partly be explained by the fact that the Facility was implemented at the same time as the economy was experiencing a major economic crisis which impacted both on the credit market and on employment figures; notes however that the Facility substantially contributed to job preservation; takes into account that this will be addressed by the new, more flexible EaSI instrument;

16. Regrets the high number of rejected applications for microfinance (almost 2,000 applications were rejected partly motivated by over-indebtedness of persons and undertakings) and the still significant microfinance market gap, despite the increase in the number of micro-borrowers; calls on the Commission to conduct a more detailed study of the reasons for these rejections including finding ways to resolve them;

17. Underlines the importance of the Facility, especially in times of crisis, in its role of enabling unemployed and disadvantaged people to have access to financing; emphasises that given the current migration and asylum crisis in particular, micro-financing can act as a fundamental support for refugees and migrants entering the EU labour market;
18. Calls on the Commission to view refugees and asylum seekers as a target group;

19. Calls on the Commission to multiply the initiatives and funding available for granting microcredit to innovative start-ups run by young people, in order to support youth entrepreneurship and high technological, scientific and social innovation at a time of economic crisis and difficulty in obtaining access to credit; stresses, moreover, the need for the Member States to strive to reduce the red tape imposed on entrepreneurs in order to gain access to the funds made available to them by the EU;

20. Calls on the Commission to increase the budget for the InnovFin instrument, provided for by the Horizon 2020 programme, and in particular the resources available to the microfinance product ‘InnovFin SME Guarantee Facility’;

21. Finds regrettable that information on the use of the loans and guarantees related to the Facility is fragmentary and incomplete and lacks detailed information on the employment status of the final recipients, even though the Court of Auditors found that the reporting was in keeping with the requirements of the decision establishing the EPMF;

22. Welcomes the social innovation component of the EaSI programme and particularly the promotion of social economy enterprises;

23. Deplores the fact that a significant number of applications for the Facility were not completed and could not be approved by the Commission; asks the Commission to assess the reasons for this failure (e.g. a lack of information, accessibility or a bureaucratic burden requiring simplification); calls on the Commission to act quickly to resolve the problem;

24. Calls on the Commission to ensure that greater publicity and information are provided on the Facility and on how to gain access to it, in addition to simplifying the procedure and making the agreements between microfinance intermediaries and the EIF more flexible and easier to understand, enabling smaller intermediaries to gain faster access to the market;

25. Considers that the Commission’s report on the implementation of the European Progress Microfinance Facility – 2013 is very general and is lacking in detail with regard to its implementation;

26. Encourages the Commission to ensure that the Facility and the EaSI instrument continue to contribute to the EU added value and visibility.
RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

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<th>19.10.2015</th>
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| **Result of final vote** | +: 24  
| | -: 0  
| | 0: 0  |
| **Members present for the final vote** | Inés Ayala Sender, Dennis de Jong, Martina Dlabajová, Ingeborg Gräßle, Verónica Lope Fontagné, Gilles Pargneaux, Georgi Pirinski, Claudia Schmidt, Igor Šoltes, Bart Staes, Derek Vaughan, Anders Primdahl Vistisen, Tomáš Zdechovský, Joachim Zeller |
| **Substitutes present for the final vote** | Richard Ashworth, Gerben-Jan Gerbrandy, Brian Hayes, Karin Kadenbach, Barbara Kappel, Marian-Jean Marinescu, Julia Pitera, Patricija Šulin, Marco Zanni |
| **Substitutes under Rule 200(2) present for the final vote** | Andrejs Mamikins |
# RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

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| **Result of final vote** | +: 49  
| | -: 2  
| | 0: 1  |
| **Members present for the final vote** | Laura Agea, Guillaume Balas, Tiziana Beghin, Mara Bizzotto, Vilija Blinkevičiūtė, Enrique Calvet Chambon, David Casa, Ole Christensen, Lampros Fountoulis, Elena Gentile, Arne Gericke, Thomas Händel, Danuta Jazłowiecka, Agnes Jongerius, Jan Keller, Ádám Kósa, Agnieszka Kozłowska-Rajewicz, Zdzisław Krasnodębski, Kostadinka Kuneva, Jérôme Lavrilleux, Jeroen Lenaers, Verónica Lope Fontagné, Javi López, Dominique Martin, Elisabeth Morin-Chartier, Marek Plura, Anne Sander, Sven Schulze, Siôn Simon, Jutta Steinruck, Romana Tomc, Yana Toom, Ulrike Trebesius, Ulla Tørnæs, Marita Ulvskog, Renate Weber, Tatjana Ždanoka, Jana Žitňanská, Inês Cristina Zuber |
| **Substitutes present for the final vote** | Tim Aker, Georges Bach, Amjad Bashir, Lynn Boylan, Tania González Peñas, Dieter-Lebrecht Koch, António Marinho e Pinto, Edouard Martin, Joachim Schuster, Michaela Šojdrová, Ivo Vaigl, Flavio Zanonato |
| **Substitutes under Rule 200(2) present for the final vote** | Sorin Moisă |
Final vote by roll call in Committee Responsible

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Key to symbols:
+ : in favour
- : against
0 : abstention