



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Economic and Monetary Affairs

2009/0096(COD)

21.10.2009

OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on Employment and Social Affairs

on the proposal for a decision of the European Parliament and of the Council
establishing a European Microfinance Facility for Employment and Social
Inclusion (Progress Microfinance Facility)
(COM(2009)0333 – C7-0053/2009 – 2009/0096(COD))

Rapporteur: Olle Schmidt

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SHORT JUSTIFICATION

The Commission proposes a new EU microfinance facility for employment (Progress Microfinance Facility) in order to give the unemployed the chance of a new start and to open the way to entrepreneurship for some of Europe's most disadvantaged groups, including the young. This new Facility will extend the range of targeted financial support to new entrepreneurs in the current context of a reduced credit supply.

The Progress Microfinance Facility will add to other Community programmes by providing risk sharing instruments, debt and equity financing. It will capitalise on the experience of international financial institutions; for example the EIB Group (European Investment Bank and European Investment Fund). Based on a joint management arrangement, the international financial institutions will provide further leverage by supporting banking and non-banking providers of microfinance throughout the European Union.

The rapporteur agrees with the approach of the Commission proposal. The proposal would increase the possibility for those wishing to start up businesses around the EU. There is a potential market gap in terms of supply and demand for microcredit in the EU. Supporting the funding of microcredit providers would help this activity to become sustainable and would enable them to respond to the growing demand from micro-borrowers. The proposal could facilitate small-scale investments and give micro-enterprises the chance to grow. It is also positive that the proposal is targeted at those groups having difficulties finding lending opportunities for their business ideas.

The rapporteur underlines the urgency to adopt this proposal as soon as possible in order for it to have an effect during the current crisis. He stresses the importance of using the funding set up for the facility in an efficient and cost-effective way and of there being no additional administrative burdens for those applying for the loans.

The proposed budget line is sufficient for the facility at this stage. There is no need for more EU budget funding.

There are some concerns over the scope of the initiative. The rapporteur proposes therefore to at least include the definitions of micro-credit and micro-enterprises (as proposed by the Commission) into the legal text. In addition he takes the view that restricting the scope only to those micro-enterprises employing persons who have just lost their job etc. might be burdensome for the financial intermediaries in terms of reporting and, more importantly, might limit their potential customer base; with the downside risk of having local micro-finance providers not willing to partner with EIB and other financial institutions and a low uptake of the initiative as a result. Therefore, we want to add 'including those', in Article 2 of the Decision, which still gives the initiative a social dimension.

It is important that any of the programme's money allocated for loans is used for investments based on solid business ideas. The credit should not be used for social welfare benefits or for consumption. The rapporteur underlines that the companies in the target group for the programme must have a solid business plan. He therefore suggests including a requirement for the borrowers to establish a business plan.

The opinion underlines the importance of evaluating the financial institutions and their procedures for risk assessment and risk control. It also stresses the need for responsible lending by the credit providers.

The rapporteur wants to underline the importance of avoiding fraud and corruption by setting up a risk control mechanism.

The rapporteur underlines the importance of marketing the programme for its success.

AMENDMENTS

The Committee on Economic and Monetary Affairs calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1

Proposal for a decision Title

Text proposed by the Commission

Proposal for a decision of the European Parliament and of the Council establishing a European Microfinance Facility for Employment and Social Inclusion
(progress microfinance facility)

Amendment

Proposal for a decision of the European Parliament and of the Council establishing a European Microfinance Facility for Employment and Social Inclusion

Justification

Resources for the Progress programme must not be cut back at this time of crisis. The European Microfinance Facility must be financed under a separate credit line, because this facility is intended for a different public from the public targeted by the Progress programme.

Amendment 2

Proposal for a decision Recital 3 a (new)

Text proposed by the Commission

Amendment

(3a) Increasing the supply of micro-credit for the benefit of persons experiencing difficulties and who cannot obtain credit should not be considered to mitigate the failings of the financial market, for which

a solution should be found.

Justification

Microcredits must be developed as an additional facility, not as an alternative to the traditional banking market. The failings of the latter cannot be passed over in silence with the development of microcredits.

Amendment 3

Proposal for a decision

Recital 6 a (new)

Text proposed by the Commission

Amendment

(6a) The actions financed by the Facility should be given support and technical assistance to ensure their durability.

Justification

Support is very important in general when starting up a business and particularly so for people experiencing difficulties.

Amendment 4

Proposal for a decision

Article 1 – paragraph 1

Text proposed by the Commission

Amendment

1. A European Microfinance Facility for Employment and Social Inclusion, called the ***Progress*** Microfinance Facility (hereinafter “the Facility”), is hereby established.

A European Microfinance Facility for Employment and Social Inclusion, called the ***European*** Microfinance Facility (hereinafter “the Facility”), is hereby established.

Justification

Resources for the Progress programme must not be cut back at this time of crisis. The European Microfinance Facility must be financed under a separate credit line, because this facility is intended for a different public from the public targeted by the Progress programme.

Amendment 5

Proposal for a decision

Article 1 a (new)

Text proposed by the Commission

Amendment

Article 1a

Definitions

1. For the purpose of this Decision, the following definitions shall apply:

(a) "micro-credit" means a loan of less than EUR 25 000;

(b) "micro-enterprise" means an enterprise which employs fewer than 10 persons, including self-employed persons, and the annual turnover of which and/or the annual balance sheet total of which does not exceed EUR 2 million;

(c) "person" means a natural person.

Amendment 6

Proposal for a decision

Article 2 – paragraph 1 – point a

Text proposed by the Commission

Amendment

(a) persons who ***have lost*** or ***are*** at risk of losing their job and want to start their own micro-enterprise, including self-employment;

(a) persons who ***are unemployed*** or at risk of losing their job and want to start their own micro-enterprise, including self-employment;

Justification

The Facility must exist for all unemployed people, regardless of whether they were employed previously or not. People who are entering the job market for the first time also need assistance.

Amendment 7

Proposal for a decision
Article 2 – paragraph 1 – point b

Text proposed by the Commission

(b) disadvantaged persons, **including the young**, who want to start or further develop their own micro-enterprise, including self-employment;

Amendment

(b) disadvantaged persons **or persons who are at risk of social exclusion and** who want to start or further develop their own micro-enterprise, including self-employment;

Justification

It is not advisable to define, in this proposal, specific groups that can be considered disadvantaged. The economic and social situation differs in every Member State and Member States must, therefore, be able to be flexible and take particular factors into account when defining the groups of people they consider to be disadvantaged. Furthermore, special attention must be paid to people who are at risk of social exclusion.

Amendment 8

Proposal for a decision
Article 2 – paragraph 1 – point c

Text proposed by the Commission

(c) micro-enterprises in the social economy which **employ persons who have lost their job or which employ** disadvantaged persons, **including the young**.

Amendment

(c) micro-enterprises, **including those** in the social economy **sector**, which **provide jobs for the unemployed, the** disadvantaged, **persons suffering from extreme poverty, or persons at risk of social exclusion**.

Justification

The aim of this decision is to promote employment and social inclusion. Restricting its aim to just one type of micro-enterprise restricts its chances of success.

Amendment 9

Proposal for a decision
Article 3 – paragraph 1

Text proposed by the Commission

1. The financial contribution from the Community budget for the Facility for the

Amendment

1. The financial contribution from the Community budget for the Facility for the

period from 1 January 2010 to 31
December 2013 shall be **EUR 100 million**.

period from 1 January 2010 to 31
December 2013 shall be **EUR
150 000 000**.

Justification

The European Microfinance Facility should have a higher budget if it is to be really effective in achieving its employment and social inclusion objectives, particularly at this time of crisis.

Amendment 10

Proposal for a decision

Article 3 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. A specific budget line shall be established for the Facility.

Justification

Resources for the Progress programme must not be cut back at this time of crisis. The European Microfinance Facility must be financed under a separate credit line, because this facility is intended for a different public from the public targeted by the Progress programme.

Amendment 11

Proposal for a decision

Article 3 – paragraph 4

Text proposed by the Commission

Amendment

4. The financial contribution shall cover the full cost of the Facility, including management fees for international financial institutions referred to in Article 5(2) managing the Community contribution **as well as** any other eligible costs.

4. The financial contribution shall cover the full cost of the Facility, including management fees for international financial institutions referred to in Article 5(2) managing the Community contribution, **the cost of the technical assistance of the public and private bodies providing microfinance referred to in Article 4(2) and** any other eligible costs.

Justification

Technical assistance is not taken into account in the Commission's proposal, although improving the capacities of microcredit intermediaries is essential for their development.

Amendment 12

Proposal for a decision

Article 4 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. Public and private bodies providing micro-credit under this Decision shall comply with responsible lending principles and thereby avoid, in particular, over-indebtedness of persons and undertakings.

Amendment 13

Proposal for a decision

Article 8 – paragraph 1

Text proposed by the Commission

Amendment

1. The Commission shall receive annual implementation reports from the international financial institutions referred to in Article 5(2) setting out the supported activities in terms of financial implementation, distribution of funding with regard to sectors and type of beneficiaries, applications submitted, contracts concluded, actions funded, results and, **where possible**, impact.

1. The Commission shall receive annual implementation reports from the international financial institutions referred to in Article 5(2) setting out the supported activities in terms of financial implementation, distribution of funding with regard to sectors and type of beneficiaries, applications submitted, contracts concluded, actions funded, results and impact.

Amendment 14

Proposal for a decision

Article 8 – paragraph 2

Text proposed by the Commission

Amendment

2. For the first time in 2011 and before 31 December of each year, the Commission shall present to the European Parliament and to the Council a quantitative and qualitative annual report on the activities under this Decision in the previous year. The annual report shall be based on the implementation reports referred to in

2. For the first time in 2011, **but no later than 12 months after the entry into force of this Decision**, and before 31 December of each year, the Commission shall present to the European Parliament and to the Council a quantitative and qualitative annual report on the activities under this Decision in the previous year. The annual

paragraph 1 and focus mainly on the results achieved and shall in particular contain information relating to applications submitted, contracts concluded, actions funded including their complementarity with other Community interventions, notably the ESF.

report shall be based on the implementation reports referred to in paragraph 1 and focus mainly on the results achieved and shall in particular contain information relating to applications submitted, contracts concluded, actions funded including their complementarity with other Community interventions, notably the ESF.

Amendment 15

Proposal for a decision Article 9 – paragraph 1

Text proposed by the Commission

1. The Commission shall carry out interim and final evaluations at its own initiative and in close cooperation with the international financial institutions referred to in Article 5(2). The interim evaluation shall be completed **four years** after the start of the Facility and the final evaluation at the latest one year after the end of the mandate(s) given to the international financial institutions referred to in Article 5(2). The final evaluation shall, in particular, examine the extent to which the Facility as a whole has achieved its objectives.

Amendment

1. The Commission shall carry out interim and final evaluations at its own initiative and in close cooperation with the international financial institutions referred to in Article 5(2). The interim evaluation shall be completed **two years** after the start of the Facility and the final evaluation at the latest one year after the end of the mandate(s) given to the international financial institutions referred to in Article 5(2). The final evaluation shall, in particular, examine the extent to which the Facility as a whole has achieved its objectives **and, if appropriate, make a proposal to increase the efficiency of the implementation of actions by the Facility, also drawing on the experience of related programmes such as JEREMIE.**

Justification

The design of the distribution of funds should be continuously assessed and adapted, if appropriate, in order to further accelerate the release of the funds for beneficiaries. In doing so, the experience of the previous Community-level programmes should be used, in light of the fact that the implementation of the JEREMIE programme has raised serious concerns.

PROCEDURE

Title	European Microfinance Facility for Employment and Social Inclusion (Progress)
References	COM(2009)0333 – C7-0053/2009 – 2009/0096(COD)
Committee responsible	EMPL
Opinion by Date announced in plenary	ECON 14.7.2009
Rapporteur Date appointed	Olle Schmidt 21.7.2009
Discussed in committee	28.9.2009 19.10.2009
Date adopted	19.10.2009
Result of final vote	+: 37 –: 2 0: 2
Members present for the final vote	Sharon Bowles, Udo Bullmann, Nikolaos Chountis, George Sabin Cutaş, Leonardo Domenici, Diogo Feio, Elisa Ferreira, Vicky Ford, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Enikő Győri, Liem Hoang Ngoc, Gunnar Hökmark, Othmar Karas, Wolf Klinz, Jürgen Klute, Astrid Lulling, Hans-Peter Martin, Íñigo Méndez de Vigo, Ivari Padar, Antolín Sánchez Presedo, Olle Schmidt, Edward Scicluna, Peter Simon, Peter Skinner, Theodor Dumitru Stolojan, Kay Swinburne, Marianne Thyssen, Ramon Tremosa i Balcells, Corien Wortmann-Kool
Substitute(s) present for the final vote	Jean-Pierre Audy, Pervenche Berès, Sophie Briard Auconie, Sari Essayah, Danuta Maria Hübner, Philippe Lamberts, Klaus-Heiner Lehne, Thomas Mann, Pablo Zalba Bidegain