COUNCIL OF THE EUROPEAN UNION

Brussels, 4 September 2013

13300/13

SOC 657
ECOFIN 766
CADREFIN 218
COMPET 622
CODEC 1946

COVER NOTE

from:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	1 August 2013
to:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No Cion doc.:	COM(2013) 562 final
Subject:	Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Implementation of the European Progress Microfinance Facility — 2012

Delegations will find attached Commission document COM(2013) 562 final.

Encl.: COM(2013) 562 final

EUROPEAN
COMMISSION

Brussels, 31.7.2013
COM(2013) 562 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Implementation of the European Progress Microfinance Facility — 2012

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Implementation of the European Progress Microfinance Facility — 2012

TABLE OF CONTENTS

1. INTRODUCTION

In March 2010, Decision No 283/2010/EU (hereinafter the 'Decision') established the European Progress Microfinance Facility for employment and social inclusion.

Public and private entities, both banks and non-banks, can apply for support from Progress Microfinance in the form of a guarantee or a funded instrument (debt, risk-sharing instruments and equity). EUR 25 m out of the overall budget has been allocated for guarantees, funded by the European Commission. The remaining budget, for funded instruments, is composed of EUR 75 m from the Commission and EUR 100 m from the European Investment Bank (EIB), which agreed to match the Commission's contribution and has already fostered the anticipated leverage effect of Progress Microfinance[1]. To the initial budget of EUR 75m additional EUR 3 m have been added in 2010 from a European Parliamentary Preparatory Action[2] and EUR 2 m in 2013 from the previous year Global transfer procedure. In total, EUR 205 m is the budget available for Progress Microfinance for both guarantees and funded instruments. The European Investment Fund (EIF) issues the guarantees and manages the funded instruments on behalf of the Commission and the EIB. Entities selected for participation become financial intermediaries, providing microloans of up to EUR 25 000, although most have opted for smaller ceilings. Beneficiaries of all supported microloans are individuals and microenterprises who would, under market conditions, be considered as disadvantaged and unlikely to be granted a loan[3].

This report looks at the implementation of Progress Microfinance after more than two years of operation. Most of the EIF's data were provided by 30 September 2012. More up-to-date information is included where possible. The structure of the document follows the requirements set out in Article 8 of the Decision. Its first part includes detailed information on concluded contracts. Its middle section reports on data collected as a part of the Facility's social impact assessment. The following section describes complementarity and coordination of Progress Microfinance with other programmes. The last part identifies possible future implications and trends.

2. IMPLEMENTATION AT THE LEVEL OF MICROCREDIT PROVIDERS

2.1. Contracts concluded

Types of intermediaries

Progress Microfinance offers a wide spectrum of financial instruments. The diversity of its product portfolio is reflected in the diverse nature of intermediaries. They include public and private entities, both from the banking sector and from beyond.

[1] For more information on Progress Microfinance leverage effect, please see part *Leveraging potential* of this report.

[2] European Parliament Preparatory Action — 'Promoting a more favourable environment for microcredit in Europe'.

[3] For information on how Progress Microfinance operates, please see 2010 Implementation Report COM(2011) 195.

Currently there are 26 participating institutions in 15 Member States using either or both of the Facility's windows[4]. A contract with a UK-based provider (non-bank) was due to be completed by May 2013.

- 1 public institution: ICREF (ES)
- 11 non-bank institutions: Adie (FR), Créa-Sol (FR), Crédal Société Coopérative (BE), FAER (RO), Inicjatywa Mikro (PL), JOBS MFI (BG), Microfinance Ireland (IE)[5], microStart (BE), Mikrofond (BG), Patria Credit (RO), Qredits (NL)
- 14 banks: Banca di Credito Cooperativo Mediocrati (IT), Banca di Credito Cooperativo Emilbanca (IT), Banca Popolare di Milano (IT), Banca Transilvania (RO), Banco Espirito Santo (PT), Cooperative Central Bank (CY), Erste Bank der österreichischen Sparkassen AG (AT), FM Bank (PL), Millennium bcp (PT), Pancretan Cooperative Bank (EL), Sberbank banka (SI)[6], SEFEA (IT), Societe Generale Expressbank (BG), Šiaulių bankas (LT)

Microcredit providers' activity in Member States

Requirements have been set within Progress Microfinance to ensure widespread access to microcredit in a large number of Member States. The EIF is required to issue guarantees in at least twelve Member States. By March 2013, providers from nine countries had been given guarantee cover (for details see section 2.2). A concentration limit of 16% is set for each country. Similarly, a 10% concentration limit for each country is envisaged for the funded instruments. These requirements are meant to contribute toward a balanced deployment of resources in Member States. Following signature of a contract with Societe Generale Expressbank, this maximum exposure has been reached in Bulgaria. Two other countries, Romania and Italy, are close to reaching the ceiling for funded instruments (currently EUR 18.0 m), with commitments of EUR 16.5 m and 15.8 m respectively.

Since the 2011 Implementation Report, eleven new financial beneficiaries have signed contracts under Progress Microfinance. Six of these providers come from countries not previously covered by Progress Microfinance: Austria, Ireland and Italy. They include both banks and a non-bank provider.

4 Patria Credit benefits from both guarantees and funded instruments.

5 An agreement was initially signed with First Step (IE). This provider is to cease lending, following the establishment of Microfinance Ireland.

6 One contract was signed with Volksbank Slovenia. This entity has been renamed Sberbank banka after its acquisition by Sberbank. The report will refer to this entity under its current name.

Geographical distribution of Progress Microfinance by March 2013

By March 2013, intermediaries from nine Member States had acquired guarantees (BE, IE, EL, FR, NL, AT, PL, PT and RO) as opposed to only six in the previous period. Funded instruments were being applied in ten countries (BG, ES, FR, IT, CY, LT, PL, PT, RO, and SI), one more than last year. The difficulty in expanding into the other Member States could be explained in part by competing national schemes and in part by the lack of capacity among microcredit providers themselves (see section 4).

2.2. Actions funded

Guarantees

The Commission, which is, the sole funder of this instrument[7], guarantees up to 75 % of losses incurred on the providers' portfolio of microloans. All providers so far benefit from the highest possible coverage in terms of guarantee rate (75%). A cap of 20% has been set for loss cover, i.e. the part of the portfolio, which could potentially default and would be covered by the guarantee. Until now, it has been in the range of 5.5% to 20%.

No fees are charged for the use of this instrument, though intermediaries are bound by a condition of achieving a disbursement of at least 90 % of the agreed portfolio. Should they fail to reach this volume, a commitment fee is charged. This threshold is an incentive for the microcredit institutions to actively reach out to final

[7] As opposed to funded instruments.

beneficiaries. More generally, guarantees allow microcredit providers to extend their activities to riskier groups. Millennium bcp, for example, does not apply its scoring system to clients of guaranteed microloans, as these are clients who would most likely not have been able to pass banks' standard criteria. Alternatively, a guarantee could be, and is, used to ease standard loan conditions by reducing interest rates or collateral requirements, or extending microloan maturities.

The 2011 Implementation Report indicated the need to extend the term of guarantees from three to six years, as intermediaries were unable to deliver the expected results in terms of disbursing the guarantees. This was done by way of an amendment in October 2011. Empirical evidence shows that this change has resulted in a significant rise in demand for guarantees, with the overall volume more than doubling since last year.

Funded instruments

Demand for funded instruments is even higher than for guarantees. This justifies the distribution of funds within Progress Microfinance, where EUR 180 m[8] of the budget is earmarked for them. Of the range of instruments, it is senior loans that keep attracting most interest. One subordinated loan was issued in 2012 (Sberbank banka). A first risk-sharing loan deal has also been signed with Banca Popolare di Milano, for an amount of EUR 8.8 m. While no equity participation contracts have been signed yet, negotiations on a direct equity investment with a potential Italian non-bank provider are currently ongoing.

The sustained interest in senior loans may lie in their technical characteristics. Unlike the other more sophisticated and detailed financial products, senior loans are simpler and easier to manage. The downside is that their leverage effect is smaller than with a risk-sharing or subordinated loan, where intermediaries are required to on-lend greater amounts to final beneficiaries than under a senior loan. Stricter requirements are also required of those who are the target of the investment. When Progress Microfinance invests in a provider, it requires of the provider to create a microloan portfolio at least three times the size of the equity investment (see also the section below on leveraging potential). In order to increase the product leverage effect, in some cases the senior loans have been issued with a multiplier requirement of 1.5 to 2.0, particularly for senior loans with banks and in repeat transactions with intermediaries which have secured co-financing from third parties.

Overall 29 contracts have been signed for both guarantees and funded instruments. One provider uses both of these instruments, while two others have already signed two consecutive contracts with the EIF. These are summarised in the following table[9].

Overview of Progress Microfinance operations as of 31 March 2013

Member State	**Intermediary**	**Instrument**	**Support to intermediary (EUR)**
BE	*Crédal Société Coopérative*	Guarantee	250 000

[8] Including the EIB contribution.

[9] The previously reported senior loan to Pancretan Cooperative Bank is no longer being reported as this loan has not been disbursed, and the full amount will be decommitted.

BE	*microStart*	Guarantee	110 000
BG	*Mikrofond*	Senior Loan	3 000 000
BG	*JOBS MFI*	Senior Loan	6 000 000
BG	*Societe Generale Expressbank*	Senior Loan	8 500 000
IE	*Microfinance Ireland (First Step)*	Guarantee	1 627 875
EL	*Pancretan Cooperative Bank*	Guarantee	750 000
ES	*ICREF*	Senior Loan	4 000 000
FR	*Adie*	Guarantee	2 200 000
FR	*Créa-Sol*	Senior Loan	1 000 000
		Senior Loan II	1 000 000
IT	*BCC Mediocrati*	Senior Loan	3 000 000
IT	*SEFEA*	Senior Loan	2 000 000
IT	*BCC Emilbanca*	Senior Loan	2 000 000
IT	*Banca Popolare di Milano*	Risk-sharing Loan	8 800 000
CY	*Cooperative Central Bank*	Senior Loan	8 000 000
LT	*Siauliu Bankas*	Senior Loan	5 000 000
NL	*Qredits*	Guarantee	1 300 000
		Guarantee II	1 700 000
AT	*Erste Bank*	Guarantee	473 644
PL	*FM Bank*	Guarantee	1 880 000
PL	*Inicjatywa Mikro*	Senior Loan	3 771 000
PT	*Banco Espírito Santo*	Senior Loan	8 750 000
PT	*Millenium bcp*	Guarantee	310 000
RO	*Patria Credit*	Guarantee	960 000
		Senior Loan	8 000 000
RO	*FAER*	Senior Loan	973 000
RO	*Banca Transilvania*	Senior Loan	7 500 000
SI	*Sberbank banka*	Subordinated Loan	8 750 000
15 MS	***26 microcredit providers***	**29 contracts**	101 605 519

Financial volumes

The total amount committed to the guarantees (cap amount), covering ten transactions with nine microcredit providers detailed in the table above, is EUR 11.6 m.

Guarantees are activated only in the event of a default of a participating loan. Depending on microproviders’ portfolios of clients, the guarantees issued to them may never have to be called. Providers are also expected to use other means (e.g. legal, restructuring) before resorting to calling the guarantees. Only two providers (microStart and FM Bank) have had to call guarantees so far, with aggregate amounts of EUR 40 000 and EUR 200 000 respectively. The amount of guarantee calls is likely to go up in the future, though, as the volume of microloans disbursed to beneficiaries and covered by the guarantees increases.

Senior and subordinate loans funded from Progress Microfinance are disbursed in accordance with the agreed rules of payments in instalments. A payment can be initiated only once conditions set for a given intermediary are fulfilled.

By March 2013, EUR 55.0 m out of the total committed amount of EUR 90 m had been disbursed[10]:

Intermediary (Member State)	**Disbursement to intermediary (EUR) as of March 2013**
Mikrofond (BG)	1 500 000
Patria Credit (RO)	6 000 000
Siauliu Bankas (LT)	2 500 000
Cyprus Cooperative Bank (CY)	4 000 000
JOBS MFI (BG)	4 000 000
FAER (RO)	700 000
ICREF (ES)	4 000 000
Inicjatywa Mikro (PL)	2 800 000
Sberbank banka (SI)	8 800 000
Banca Transilvania (RO)	7 500 000
BCC Mediocrati (IT)	1 500 000
SEFEA (IT)	1 100 000
BCC Emilbanca (IT)	1 100 000
Societe General Expressbank (BG)	4 500 000
Banco Espiríto Santo (PT)	4 000 000
Créa-Sol (FR)	1 000 000
Total disbursements	55 000 000

Leveraging potential

The aim of Progress Microfinance is not only to make EU funding available but also to create a leverage effect for total investment of some EUR 500 m, i.e. five times the EU contribution. This leverage effect is achieved by co-investment from other partners, by the revolving nature of the funds, and by the products offered.

The partnership with the EIB which matched the amount from the Commission doubled the initial amount. The combined amount (together with the additional contribution from the EPPA and the Global transfer procedure) is now being multiplied through the microloans issued by financial intermediaries.

The guarantees have an especially strong leverage effect. By March 2013, guarantees worth EUR 11.6 m had been issued to microcredit providers. They are expected to translate into potential microloans with an aggregate volume of EUR 134.8 m, meaning that the leverage ratio achieved through this product would be 11.6. Funded instruments provide leverage of approximately 3.7. For some loans, such as the first one for Créa-Sol, the only leverage effect comes from the additional funding from the EIB, as the provider was only expected to sign loan agreements with final

[10] The disbursements to Banca Popolare di Milano (IT) and of a second loan to Créa-Sol are upcoming. It proved impossible to make a disbursement to Pancreatan Cooperative Bank (EL) because of unpredicted systemic changes.

beneficiaries equal to the size of the loan. The second Créa-Sol loan is expected to generate a microloan volume of 1.5 times the amount of the provided loan. Other providers, most notably Banca Popolare di Milano (risk-sharing loan) or Sberbank banka (subordinated loan), create additional leverage when distributing microloans of at least twice the size of the amount received from Progress Microfinance. The aggregate multiplier effect for the whole Progress Microfinance portfolio, as agreed in the contracts with intermediaries, is 5.5.

2.3. Applications funded and rejected

To be able to benefit from Progress Microfinance, applicants need to be successful in a call for proposals organised by the EIF and, in the case of guarantees, receive the Commission's approval.

An official rejection might occur in the EIF Board, or the Commission might not approve a guarantee. No applications have been rejected since the creation of Progress Microfinance as only proposals which pass the EIF's screening and due diligence process are submitted for approval.

Since the introduction of Progress Microfinance, the EIF has been in contact with over 180 potential providers. With 27 intermediaries[11] having signed a transaction by March 2013, the successful deal origination rate is 15 %, partly a result, as we have seen, of national schemes and other available funding, most notably in the Nordic countries and in Germany. Other reasons for the low deal origination rate might be the EIF's focus on larger amounts due to high transaction costs or strict credit assessment. As the Commission covers the first loss, there might be room for re-evaluating this policy.

3. IMPLEMENTATION AT MICRO-BORROWER LEVEL

3.1. Microloan volumes and the number of final beneficiaries

The current multiplier effect of 5.5 is in line with the expected leverage target. Further agreements with microcredit providers and full utilisation of disbursed volumes in the coming years will be needed in order to reach the estimated amount of EUR 500 m distributed through some 46 000 microloans by the time the facility closes in 2020.

By the 2012 reporting date, the aggregate guarantee portfolio consisted of 2 920 microcredits for 2 836 clients[12] worth EUR 28.05 m.

The offer of microloans based on the funded instruments resulted in 3 358 contracts being signed with 3 253 final beneficiaries. These loans were worth EUR 21.1 m in September 2012.

Compared to the utilisation reported in 2011, the volume of guarantee-based microloans increased by 61 % and that of microloans backed by funded instruments

---

11 Including the contract signed with First Step.

12 The difference between the number of microloans and the number of beneficiaries can be explained by a step-lending approach applied in some cases, meaning that a borrower first receives a small amount and after some time an additional loan. The total loan amount per client does not exceed EUR 25 000. .

by 122 % in six months. The utilisation pattern is in line with the initial assumption that Progress Microfinance would experience a slow start, but would steadily pick up and show strong growth in the latter part. By September 2012 a higher level of utilisation was already evident, most significantly in the Netherlands, where a follow-up agreement with Qredits has been signed, increasing the guarantee cap to EUR 3 m. Good levels of utilisation were also noted in Bulgaria, Poland and Romania. A second agreement for a senior loan has been also signed with a beneficiary in France as the initial amount has already been completely disbursed.

EIF projections are even more optimistic about future growth, with the aggregate volume of microloans provided through current intermediaries expected to reach EUR 142.4 m by September 2013 and EUR 288.8 m by March 2015. One possible explanation for why strong growth has not been experienced in the earlier stages of Progress Microfinance operations is the lack of institutional capacity of microcredit providers. This is why complementary action is needed, as analysed in section 4 of this report.

3.2. Social and employment impact of Progress Microfinance

Social and employment impact is one of the key policy considerations for Progress Microfinance. This Implementation Report is the first one featuring data on this impact from a considerable number of final beneficiaries. Despite the need to modify their internal procedures and systems, providers have been able to collect data on 4 688 final beneficiaries out of 6 089 micro-entrepreneurs participating in Progress Microfinance. This makes it possible to analyse some trends in outreach to disadvantaged groups, by taking into account their age, gender, educational background, or minority group.

By assessing the collected data we can examine both positives and drawbacks. Yet their relevance is only partial as some beneficiaries did not complete the full questionnaire. This prevents an aggregate analysis and renders some of the collected data less relevant. Being aware of these obstacles can help to introduce necessary modifications to enhance the quality and reliability of social impact reporting for the future instrument (see also section 5), where the data collection requirements will have to be reviewed.

3.2.1. Outreach to disadvantaged groups

Youth and senior entrepreneurship

While the majority of people who have received a microloan from the intermediaries are between ages 25 and 54 (85.04 %), there is quite a significant group younger than 25 (5.22 %). This is more than the average rate of self-employment in this age group (4.1 %) as reported by the 2011 EU Labour Force Survey (LFS)[13]. Progress Microfinance thus serves as an enabler in helping this age group become self-employed. Intermediaries with a particularly high portion of young clients are Qredits (25.00 %), Siauliu Bankas (14.29 %) and Millennium bcp (12.08 %). Intermediaries also report the age profile of clients' employees. 11.25 % of them are under 25.

13 http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-040/EN/KS-SF-12-040-EN.PDF.

Older people (55+) account for 9.74% of final beneficiaries. According to the LFS, they represent 19.2% (50-64) and 49.9% (65+) of self-employment in their respective age groups. However, as the LFS indicates for these age groups, self-employment might only serve as a postponement of retirement or an opportunity for self-sufficiency farming after retirement. These two groups might not necessarily be in need of a microloan. The three banks with the highest 55+ share are Mikrofond, FAER and Siauliu Bankas. Their shares range between 14.9 – 15.91%. 10.67% of final beneficiaries' employees are above 55.

Women entrepreneurs

Available data on Progress Microfinance final beneficiaries indicate a men/women ratio of 60.73/39.27. This is an improvement over today's situation in Europe, where women represent only 34.4% of all entrepreneurs[14]. Progress Microfinance acts remedially and supports women entrepreneurs. As previously mentioned, some of the data collected do not provide a complete picture and should be interpreted with caution. Two providers have a higher share of microloans to women than to men. Siauliu Bank reported 57.14% female loan-takers and Millennium bcp 50.34%. In the case of the Lithuanian bank, this reflects their policy of trying to improve women entrepreneurs' access to finance. Crédal also reports a higher than average ratio with 51.72/48.28. Intermediaries provide information on their clients' employees, 38.30% of whom are women. Lack of additional supporting data renders further analysis impossible.

Job creation via self-employment and start-ups

31.89% of final beneficiaries said they were unemployed or inactive at the time of their loan application. Progress Microfinance has given them the opportunity of using the loan to start their own business. There is also potential for a positive effect on the rest of the applicants, who said they were either employed (67.52%) or studying (0.59%). The microloan might help employed clients to avoid serious liquidity issues or expand their business. For those still studying, the loan could be used to start their own business after or even prior to graduation.

Available data for both microfinance windows also show that almost 80% of supported enterprises are less than three years old. 40.58% were only established six months or less before the microloan application. This confirms that access to finance is a significant obstacle during the start-up phase of a new business, which Progress Microfinance helps remove. Start-up support seems stronger among guarantee-covered and non-bank intermediaries. This would be in line with the initial assumption of guarantees being used in cases of riskier clients, complemented by funded instruments (in particular senior loans) used to target greater numbers of less risky clients. Data for assessing the sustainability of business and job creation are not yet available.

Educational background

The educational backgrounds of successful applicants for Progress Microfinance-supported products range from no formal education to university graduates. As educational attainment is normally associated with a lower risk of unemployment, it is important to observe that people with no or only primary education account for 7.28% of all beneficiaries. At a disadvantage when looking for a job, they might

[14] http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=6358&lang=en&title=Unleashing-Europe's-entrepreneurial-potential-to-bring-back-growth.

have found an alternative in self-employment. Similar reasoning could apply to the more than 50% of relatively low-qualified beneficiaries with only secondary education. The rest of the beneficiaries were educated to post-secondary or university level, which reflects the broad focus of participating providers.

Supporting minorities

There are clear signs of a good outreach to minority populations, even though such data are not allowed to be collected in all Member States. This results in only a small number of all beneficiaries being officially identified as belonging to a minority group on the aggregate level. On the providers' level, Mikrofond (BG) reported 18.18%, JOBS MFI (BG) 12.5% and FAER (RO) 14.63% of all their clients belonging to a minority group. It is understood that these beneficiaries come mostly from the Roma population. Facing obstacles on the job market, self-employment could be a solution for them. Qredits (NL) also reports 12.5% outreach to minority groups.

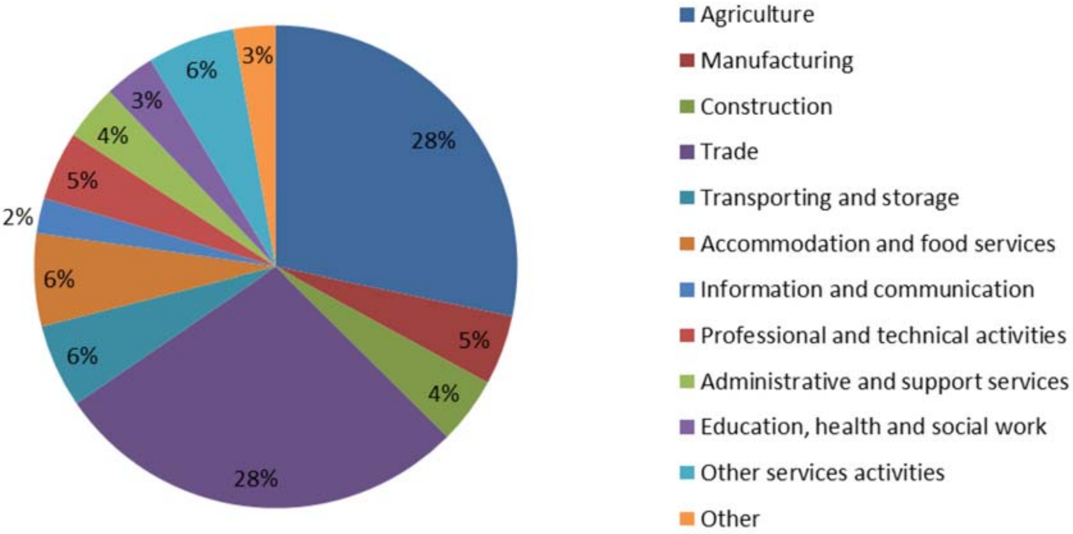
3.2.2. Small amounts to make a big impact

Microloans provided tend to be for smaller amounts. It is not expected of business starters and self-employed from vulnerable groups to seek high amounts. The most popular microloans are for less than EUR 5 000 (37%), followed by up to EUR 10 000 (25%). Microloans of up to EUR 15 000, 20 000 and 25 000 each attract approximately one out of eight beneficiaries. The average size of microStart microloans is EUR 4 958. MicroStart, operating in migration-background areas of Brussels, has a specific target group of clients. The microloans offered by this intermediary fall short of the maximum of EUR 25 000, being capped at EUR 10 000. Similarly, one of the Erste Bank's two initiatives provides microloans of no more than EUR 12 500. This does not mean that the needs of the final beneficiaries will always be covered by these small amounts. It is rather expected that once their businesses pick up thanks to a Progress Microfinance microloan, they will be able to apply for a bigger loan outside of the Progress Microfinance framework.

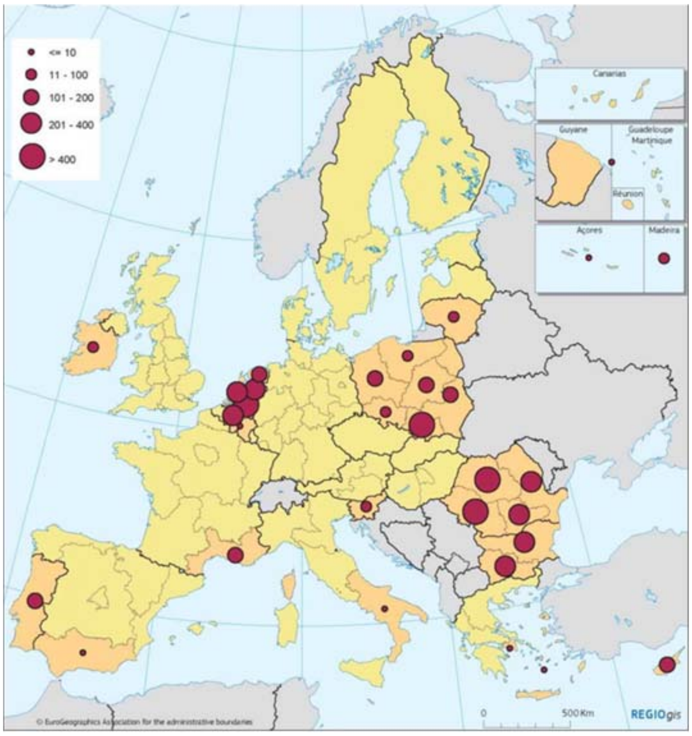
3.3. Sector and regional distribution of supported enterprises

Agriculture and Trade remain the two most predominant sectors, accounting for more than a half of all supported enterprises. Unsurprisingly, the support for agriculture comes almost exclusively from the funded instruments, as these predominate in the countries with a high involvement in rural areas (see map below) — Romania and Bulgaria. In Trade this support comes from both more or less evenly.

Sector distribution of financed microenterprises



Regional distribution of financed microenterprises



Number of beneficiaries by NUTS1 region

4. COMPLEMENTARITY AND COORDINATION WITH OTHER INSTRUMENTS

Investment and risk coverage from Progress Microfinance enables microcredit providers to grow and optimise their portfolio while reaching out to riskier target groups. Various other instruments have been created and act complementarily to it.

The intermediaries are contractually bound to cooperate with organisations providing training and mentoring. Member States can use the European Social Fund to provide assistance in the form of coaching or training for business starters. Such support should have a positive impact on the business skills of the beneficiaries and clearly complements access to finance provided by Progress Microfinance. In Ireland, for example, the 'Going for Growth' initiative, designed to support women business starters via mentoring and coaching, is funded in part through the Human Capital Investment Operational Programme 2007-2013. Successful participants of this initiative might be willing to apply for a microloan, e.g. from Microfinance Ireland (which has already signed an agreement with the EIF under Progress Microfinance) in order to finance their newly acquired business ideas.

There is still room for improvement when it comes to mentoring and training offered in combination with support under Progress Microfinance. While this represents a top priority for the Commission, the EIF could improve the way all the supported providers implement this requirement. In particular, the EIF should have a closer look at the number and quality of contracts between providers and organisations providing training and mentoring and enforce better cooperation, especially with schemes supported by the ESF.

National and EU support can be used in a complementary way: this is the case for Austria, where one of the two products offered by Erste Bank benefits from a reduced microcredit guarantee rate of 66.67 % as it is also supported by the Austrian government.

JASMINE is a European Commission and the EIF initiative sought to help microcredit providers to improve their operations, to expand and to become self-sustainable. Technical assistance is provided to beneficiaries selected by the EIF and consists in an institutional assessment or rating followed by tailor-made training. Twelve financial intermediaries under Progress Microfinance have already benefited from the initiative, including most recently BCC Mediocrati and microStart in 2012.

Eight to ten workshops are offered yearly to provide business development support to providers, and there is a JASMINE Helpdesk to answer questions. A 'European Code of Good Conduct for Microcredit Provision', setting out good practice guidelines and common standards, was developed under JASMINE. The Code supports the sector in dealing with the challenges of accessing long-term finance, maintaining / raising the quality of services, and encouraging transparency in the sector. The Code will be complemented by JASMINE Online in the coming months, a web application providing information on the EU microcredit providers and generating reports as recommended by the Code. Its observance is being recommended in the successor programme to Progress Microfinance (see section 5) and may become a condition for providers to obtain funds.

5. CONCLUSIONS AND OUTLOOK

Progress Microfinance satisfies a strong demand from both bank and non-bank microfinance providers. EUR 101 m out of EUR 203 m had been committed to intermediaries as of March 2013 (investments are still possible until 2016). Based on the agreed microloan volumes to be generated by providers, the current leverage effect of 5.5 is above the target.

The geographical coverage of Progress Microfinance has been extended to 15 Member States. Close on EUR 50 m has already reached the final beneficiaries, who include members of disadvantaged groups, especially women, young people, minorities and low-skilled workers. Progress Microfinance has significantly contributed to job creation, helping a high percentage of people who were previously unemployed or inactive into employment. An interim evaluation, to be presented in 2014, will provide a more in-depth analysis of the programme.

Room for improvement has been identified for accompanying mentoring and training for microentrepreneurs. The Commission will continue to insist on the EIF ensuring that this contractual obligation is fulfilled. The issue of providers' institutional capacity, acknowledged to be a bottleneck which slows down the disbursement of loans, will be addressed via the successor instrument under the Programme for Social Change and Innovation 2014-20 (PSCI)[15]. In addition to portfolio funding and risk-sharing, like under Progress Microfinance, this new instrument will offer funding for capacity building and technical assistance to microcredit providers under a single umbrella.

The regulation establishing the PSCI 2014-20 is currently in the last stages of trilogue negotiations. The Commission hopes that the co-legislators will agree on transferring the balance of Progress Microfinance that will remain after guarantees have been called and loans and equity paid back by the end of the lifetime of Progress Microfinance to the PSCI budget to make full use of a revolving EU-level instrument which supports job creation and financial inclusion.

[15] COM(2011) 609 final.