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**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 — 2011

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CONTENTS

1.	Introduction.....	4
2.	Implementation at the level of microcredit providers.....	4
2.1.	Contracts concluded.....	4
2.2.	Actions funded.....	6
2.3.	Applications accepted and rejected.....	9
3.	Impact at micro-borrower level.....	10
3.1.	Microloan volumes and the number of beneficiaries.....	10
3.2.	Types of final beneficiaries.....	11
3.3.	Social and employment impact of Progress Microfinance.....	11
4.	Complementarity and coordination with other European Union instruments.....	14
5.	Conclusions and outlook.....	15

1. INTRODUCTION

The European Progress Microfinance Facility (Progress Microfinance) for employment and social inclusion was established in March 2010 by Decision No 283/2010/EU (hereinafter referred to as the ‘Decision’).

Microcredit providers in EU Member States can apply to the European Investment Fund (EIF) for guarantees or funded instruments (debt, equity and risk-sharing instruments), so they can become intermediaries under Progress Microfinance¹. They provide microloans (loans of less than EUR 25 000) to micro-enterprises or individuals, particularly to people who are unemployed, at risk of losing their jobs, at risk of being socially excluded or otherwise at a disadvantage when it comes to securing a traditional loan. The aim of the microloans must be to establish and/or develop micro-enterprises. For the period 2010–13, the European Union makes available EUR 103 m for Progress Microfinance², and the European Investment Bank (EIB) has committed itself to adding another EUR 100 m for funded instruments. The total of EUR 203 m is divided between the two windows as follows: EUR 25 m for guarantees and EUR 178 m for funded instruments. Progress Microfinance is implemented by the EIF on behalf of the Commission and the EIB.

2011 was the Progress Microfinance Facility’s first full year of operation. In line with Article 8 of the Decision, this report covers implementation at the level of microcredit providers, including contracts concluded with the EIF, geographical distribution, actions funded and applications accepted and rejected. The second part of the report analyses the impact at micro-borrower level, including the types of beneficiaries and distribution per sector, based on the data available at this stage. The last sections look at complementarity between Progress Microfinance and other instruments and the outlook with regard to future developments. The report covers the year 2011, but it includes more recent data where possible.

2. IMPLEMENTATION AT THE LEVEL OF MICROCREDIT PROVIDERS

2.1. Contracts concluded

Types of intermediaries

Progress Microfinance is open to a wide range of intermediaries at national, regional or local level, including banks and non-bank institutions as well as private and public institutions. The sector has shown considerable interest in the instruments the Facility offers. By March 2012, the EIF had signed 18 contracts with 16 microcredit providers:

- eight non-bank institutions: *microStart* (BE), *Mikrofond* and *JOBS MFI* (BG), *Créasol* (FR), *Qredits* (NL), *Inicjatywa Mikro* (PL), *FAER* and *Patria Credit* (RO);

¹ For more details see the 2010 Implementation Report, COM(2011) 195.

² In addition to the EUR 100m initially foreseen, another EUR 3m have been added from a European Parliament Preparatory Action (For more details see the 2010 Implementation Report).

- seven banks: *Central Cooperative Bank* (CY), *Pancretan Cooperative Bank* (EL), *Siauliu Bankas* (LT), *FM Bank* (PL), *Millennium Bank* (PT), *Banca Transilvania* (RO) and *Volksbank Slovenia* (SI);
- one public institution: *ICREF* (ES).

The variety of intermediaries enables the Facility to give a broad range of micro-entrepreneurs access to credit (see also point 3.2).

Microcredit providers at all territorial levels are represented. Some of them cover a whole country, e.g. *FM Bank* in Poland, while others operate on a regional or local scale. For example, the Spanish *ICREF* focuses on the region of Murcia, whereas the Portuguese *Millennium Bank* has agencies in Lisbon, Porto, on the Azores and Madeira. The Belgian *microStart* is active in some areas of Brussels.

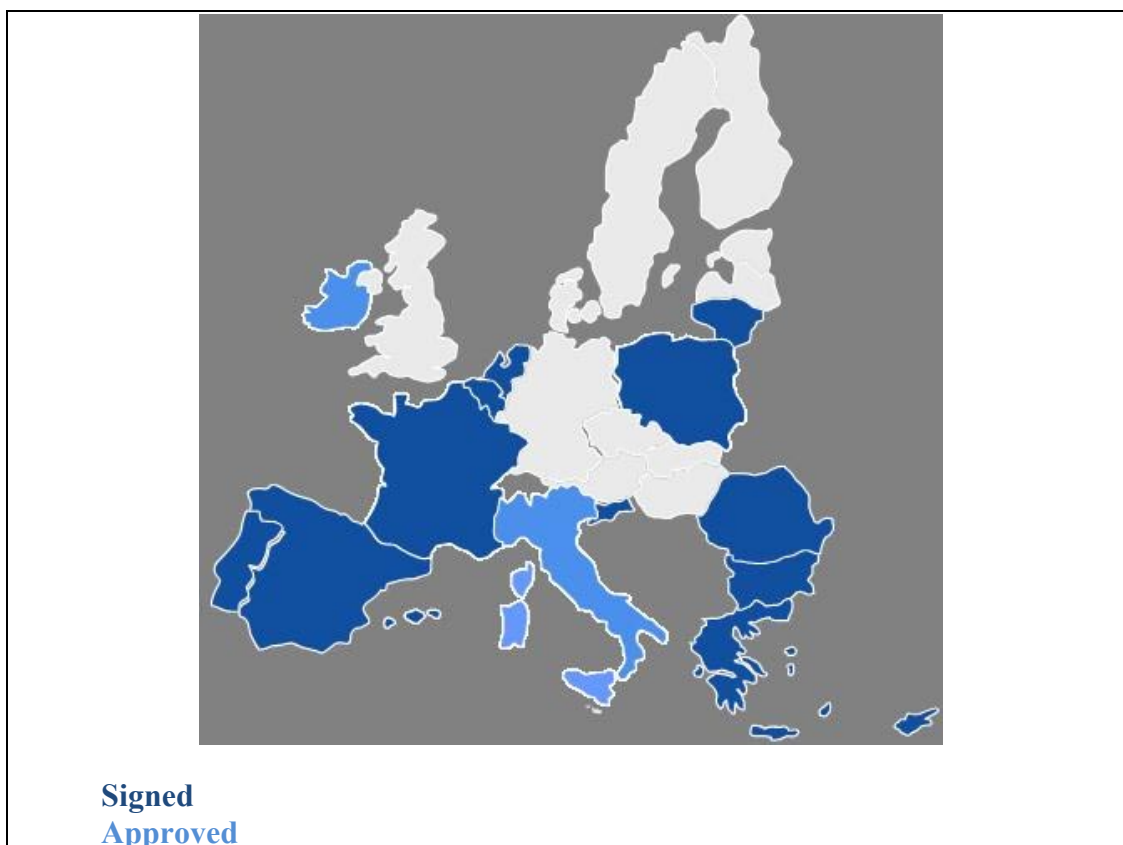
Geographical distribution

Although it is demand-driven, Progress Microfinance aims to achieve a balanced geographical distribution. The EIF is therefore required to issue guarantees for intermediaries in at least 12 Member States and to respect a concentration limit on guarantees per country.

By the end of March 2012, guarantees had been issued in six countries (BE, EL, NL, PL, PT, RO — see Table 1 for further details).

Contracts for funded instruments were signed in nine Member States: BG, CY, EL, ES, FR, LT, PL, RO and SI. According to the Management Regulation governing funded instruments under Progress Microfinance, exposure to intermediaries in any single Member State may not exceed 10% of the aggregate target commitments of investors, i.e. at present EUR 17.5 m. With its three contracts together amounting to EUR 16.5 m, Romania is the only country that is close to the limit.

Geographical distribution of Progress Microfinance (March 2012)
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2.2. Actions funded

Guarantees

Under the Progress Microfinance guarantee window, which is funded by the Commission only, the EIF can issue portfolio guarantees to microcredit providers, or it can issue counter-guarantees to guarantee institutions which in turn issue guarantees to cover the microloan portfolios of microcredit providers. Having a guarantee makes it easier for a microcredit provider to serve target groups that are considered risky, such as business starters who do not yet have any business history, young people or people who belong to a minority group. This is because part of any defaults that might occur are covered by the guarantee and therefore reimbursed under Progress Microfinance³. Applicants for guarantees are usually microfinance institutions that already focus on risky groups, like the Belgian *microStart* that especially targets people with a migrant background, or microcredit providers who want to extend their lending activities to risky groups. Thanks to the Progress Microfinance guarantee, the Polish *FM Bank* serves newly created enterprises that have been operating for less than 12 months.

In other cases, a guarantee is used to improve the conditions of the loan for the micro-borrower, i.e. a lower interest rate or collateral requirements that are less strict. For example, in exchange for a guarantee, the Romanian *Patria Credit* has been required to lower its interest rate by 2.9 percentage points and accept a personal guarantee from its clients instead of requiring them to put up real collateral.

³ For a detailed description of the guarantees, please refer to the 2010 Implementation Report, COM(2011) 195.

As initial demand for Progress Microfinance guarantees fell behind expectations, the term of the guarantees was extended from three to six years. This generated increased interest in the guarantees, and by March 2012, six guarantee operations had been launched.

Funded instruments

Under the funded instruments window, which is co-financed by the European Commission and the EIB, four types of products are available:

- Senior loans⁴,
- Subordinated loans⁵,
- Risk-sharing loans⁶,
- Equity participations (direct or indirect equity).

Senior loans help provide intermediaries with liquidity that they can use to on-lend as microcredit. With 13 microcredit providers opting for senior loans, this product has, in line with expectations at the outset, been the most popular so far. One reason for the prevalence of senior loans is that they are relatively simple products and quicker to use than the more sophisticated subordinated or risk-sharing loans or equity participations.

Subordinated loans provide capital relief, particularly for small banks seeking to boost their capital adequacy to satisfy legal requirements. These instruments make it easier to obtain more funding from other investors, hence they create a leverage effect. For subordinated loans, intermediaries are required to generate a microloan portfolio of at least twice the amount of the loan received. By March 2012, one microcredit provider (*Volksbank Slovenia*) had signed an agreement for a subordinated loan.

Risk-sharing loans combine elements of a senior loan with portfolio risk-sharing. For risk-sharing loans, intermediaries are required to match the amount of the loan received. This means that the leverage effect is also at least double the initial amount. Risk-sharing loans are most likely to be chosen by banks, particularly in the context of down-scaling projects.⁷

Equity can take the form of direct investments in a microcredit provider or indirect investments in a fund which invests in microcredit providers. Since equity helps microcredit providers obtain more funding, intermediaries are required to generate a microloan portfolio of at least three times the amount of the equity investment received⁸.

Complementarity between guarantees and funded instruments

⁴ If the borrower goes bankrupt, senior loans must be repaid before other credits receive any payment.

⁵ Financing subordinated to senior creditors.

⁶ Senior loans combined with risk participation in the microcredit portfolio.

⁷ A first risk-sharing loan agreement is likely to be signed in 2012.

⁸ An indirect equity agreement is likely to materialise with a fund in the UK in 2012.

With its wide range of products, Progress Microfinance serves a broad range of intermediaries in different parts of Europe. In addition, the two windows under Progress Microfinance are complementary. Firstly, the availability of both guarantees and funded instruments has a positive effect on outreach in geographical terms as they tend to be used in different countries (see section 2.1). Secondly, in cases where a microcredit provider has received support under both windows, the products are used in a complementary way. For example, the *Pancretan Cooperative Bank* (EL) will (i) use risk protection under the guarantee to cover a riskier portfolio of start-ups with a business history of less than three years or new borrowers who cannot provide sufficient collateral and (ii) draw on financing under a senior loan to generate a separate portfolio targeting existing enterprises that would have difficulty accessing microloans in the current economic climate.

Table 1: Overview of Progress Microfinance operations as of 31 March 2012

Member State	Intermediary	Instrument	Support to intermediary (EUR)
BE	<i>microStart</i>	Guarantee	111 375
BG	<i>Mikrofond</i>	Senior Loan	3 000 000
BG	<i>JOBS MFI</i>	Senior Loan	6 000 000
CY	<i>Cooperative Central Bank</i>	Senior Loan	8 000 000
FR	<i>Créasol</i>	Senior Loan	1 000 000
EL	<i>Pancretan Cooperative Bank</i>	Guarantee	803 250
		Senior Loan	8 750 000
LT	<i>Siauliu Bankas</i>	Senior Loan	5 000 000
NL	<i>Qredits</i>	Guarantee	750 000
PL	<i>FM Bank</i>	Guarantee	1 940 000
PL	<i>Inicjatywa Mikro</i>	Senior Loan	4 000 000
PT	<i>Millenium Bank</i>	Guarantee	309 488
RO	<i>Patria Credit</i>	Guarantee	960 000
		Senior Loan	8 000 000
RO	<i>FAER</i>	Senior Loan	1 000 000
RO	<i>Banca Transilvania</i>	Senior Loan	7 500 000
SI	<i>Volksbank Slovenia</i>	Subordinated Loan	8 750 000
ES	<i>ICREF</i>	Senior Loan	8 000 000
12 Member States	16 microcredit providers	18 contracts	73 874 068

Financial volumes

As of 31 March 2012, the EIF has made commitments to microcredit providers of EUR 73.87 m in total.

Under the guarantee window, commitments amount to EUR 4.87 m (out of the total EUR 25 m available for the guarantees). This is considerably below the EUR 8 m expected for the end of 2011. However, the EIF has confirmed that there is a rising demand for guarantees. This should materialise in a number of additional contracts in

2012 including for larger volumes. The rise in demand is also due to the extension of the term of the guarantees from three to six years.

Under the funded instruments window, the EUR 69 m of commitments to microcredit providers exceeds the expected EUR 44 m. This is due to strong demand from the sector and the EIF's sustained deal origination efforts.

Disbursements under the senior loan agreements are made in instalments over a 18 to 24 month period. The operations signed in 2011 are therefore expected to be disbursed fully in 2013. The first instalment is paid once the microcredit provider fulfils certain conditions, such as those in relation to operational preparedness or enhancement of client lending practices. Each disbursement typically does not exceed 50% of total commitments. Subsequent disbursements are made only once the previously negotiated microloan generation targets have been met.

By March 2012, EUR 19.1 m had been disbursed: EUR four million to *Cooperative Central Bank* (CY), EUR four million to *ICREF* (ES), EUR four million to *Patria Credit* (RO), EUR 2.5 m to *Siauliu Bankas* (LT), EUR two million to *JOBS MFI* (BG), EUR 1.5 m to *Mikrofond* (BG), EUR 0.89 m to *Inicjatywa Mikro* (PL) and EUR 0.24 m to *FAER* (RO).

2.3. Applications accepted and rejected

To become an intermediary under Progress Microfinance, microcredit providers have to reply to the call for expressions of interest for the guarantees or submit applications directly to the EIF for the funded instruments⁹. The EIF assesses the proposals and carries out a due diligence on applicant microcredit providers. For the guarantees, the Commission's approval is also needed. After the approval of the EIF Board has been obtained, a contract is negotiated and signed between the EIF and the intermediary.

So far, no applications for financing under Progress Microfinance have been formally rejected. However, after first making contact with the EIF, a number of microcredit providers chose not to apply. For guarantees, this happened partly because microcredit providers found that, in the end, the funded instruments were better suited to their needs.

For the funded instruments, operations that are no longer part of the formal pipeline include senior loan agreements with two microcredit providers who no longer needed support from Progress Microfinance. Direct equity participation in a peer-to-peer lending platform was abandoned because of uncertainties about compliance with the Decision. In more general terms, some early-stage contacts did not result in concrete operations because the amounts requested were too high, the size and risk quality of the microcredit provider insufficient or their lending practices questionable.

Furthermore, a number of agreements approved by the EIF Board have not yet been signed and their future remains uncertain. This is the case for an indirect equity investment in a UK-based fund, already approved in December 2010. Due to developments with regard to the structural set-up of the intermediary, there does not seem to be any further interest in concluding the agreement with the EIF. The

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http://www.eif.org/what_we_do/microfinance/progress/index.htm.

negotiation of an agreement with an Italian provider approved by the EIF board has been put on hold pending confirmation of a new capital injection at intermediary level. Finally, the future of a counter-guarantee agreement with an Italian guarantee institution is uncertain due to a recent change in national legislation. The change hinders the ability of the guarantee institution to fulfil the additionality requirements under Progress Microfinance.

3. IMPACT AT MICRO-BORROWER LEVEL

3.1. Microloan volumes and the number of beneficiaries

Targets

In terms of microcredit for final beneficiaries, the total budget of EUR 203 m is estimated to leverage to a volume of EUR 500 m in microcredit, i.e. around 46 000 microloans.

Based on the contractual terms of the current 18 agreements with microcredit providers, it is expected that the EUR 73.87 m committed as of March 2012, i.e. over one third of the total budget available, will result in more than EUR 170 m in microloans over the coming years. A number of incentives for intermediaries ensure that this will be the case: failure to reach the agreed microloan generation targets, e.g. under a senior loan, would mean the microcredit provider must repay the loan early. This creates a clear incentive to on-lend to micro-borrowers effectively and efficiently. A similar incentive is used for guarantees: while they are, in principle, provided free of charge, microcredit providers have to pay a commitment fee if they disburse less than 90 % of the agreed volume of microloans.

Microloan volumes generated and the number of beneficiaries

As of March 2012, a microcredit volume of EUR 26.8 m in total (EUR 17.8 m under the guarantees and EUR 9.1 m under the funded instruments) had been generated by microcredit providers in BE, BG, ES, LT, NL, PL and RO¹⁰. This corresponds to 15.72 % of the volume expected to be reached under the 18 agreements signed by March 2012.

In terms of numbers, by March 2012, these microcredit providers had disbursed 2 933 microloans (1 834 under the guarantees, 1 099 under the funded instruments). This amounts to 17.8 % of the expected total for the 18 agreements.

According to the EIF's estimations, the current figures are broadly in line with the typical pattern for the build-up of microcredit portfolios over a 2 to 3 year inclusion period following each contract signature. Implementation patterns typically indicate a non-linear portfolio build-up with a slower start followed by a stronger rise in volumes. After an agreement is signed, a microcredit provider must prepare to begin micro-lending activities, especially when a new micro-lending product is launched. For example, before the first microloan can be disbursed, a public institution might

¹⁰ These figures refer to the microloan portfolios built up by microcredit providers thanks to Progress Microfinance.

have to go through a tendering process to find a bank to cooperate with. This can take several months.

Guarantees usually have an availability period of two years, senior loans an inclusion period of two to three years. This means that between 2013 and 2015, the microcredit providers who have signed agreements so far should reach their target microloan volumes and numbers.

3.2. Types of final beneficiaries

Microcredit providers supported by Progress Microfinance target a wide range of final beneficiaries.

Some focus on self-employed people and/or micro-enterprises in general, e.g. Banca Transilvania (RO), which presents itself as the ‘Bank for Entrepreneurial People’, the Cooperative Central Bank (CY) with its sole trader facility, or the Pancretan Cooperative Bank (EL), which targets existing micro-enterprises that are having difficulty accessing finance.

A number of microcredit providers target entrepreneurs in rural areas, focusing on the agricultural sector. This is particularly significant in countries where banks tend to be concentrated in big cities. FAER and Patria Credit thus fill an important gap in Romania, as Mikrofond does in Bulgaria. Inicjatywa Mikro (PL) also targets the self-employed, especially agro-producers.

Several microcredit providers aim to give access to finance to start-ups, which are generally considered comparatively risky. FM Bank (PL) concentrates on enterprises that are less than 12 months old. Qredits (NL) has a portfolio guaranteed by Progress Microfinance that finances start-ups. Volksbank Slovenia and the Pancretan Cooperative Bank (EL) target micro-enterprises that are less than three years old. The Pancretan Cooperative Bank also targets new borrowers with a viable business plan who cannot provide sufficient collateral.

Finally, some Progress Microfinance intermediaries target particularly vulnerable groups, such as young people and women (ICREF (ES)). JOBS MFI (BG) provides microloans and microleases to unemployed people or job seekers who want to start their own business. microStart (BE) has above all clients with a migrant background, while Siauliu Bankas (LT) has set itself the target of financing at least 50 % of female entrepreneurs and micro-enterprises that either employ a majority of women or are owned only by women. Millennium Bank (PT) has, as part of its portfolio, established cooperation with an association that supports people who are socially excluded, such as homeless people or former drug addicts and Roma. Créasol (FR) targets unemployed people, often with a migrant background, who want to create a business or develop their business and who have been rejected by a bank in the region.

3.3. Social and employment impact of Progress Microfinance

The EIF reports to the Commission on the social and employment impact of Progress Microfinance based on information provided by the microcredit providers the Facility supports. This kind of social impact reporting is not a common market practice and therefore required some adjustments of internal procedures and systems

so microcredit providers could report to the EIF. Social reporting is currently only required once a year, with September 30 as the deadline.

By that date in 2011, only five microcredit providers had started lending under Progress Microfinance, but data on some aspects is only available from two microcredit providers. The fact that this was the first time this kind of reporting was done explains some of the problems. Data on the employment and social impact cannot therefore be considered representative. It is also too early for data on the sustainability of businesses that have been supported.

Job and business creation

The job creation effects of Progress Microfinance can be measured by the number of unemployed and inactive people who started a business with the help of a microloan. Based on the information given by *microStart* (BE) and *Mikrofond* (BG), this was the case for 27.46% of clients. In addition, anecdotal evidence suggests that some of those who had previously been employed had only been working part-time.

For some of the micro-enterprises already operational at the time the microloan was provided, the information given shows that almost 60% of the enterprises supported are less than one year old. They therefore belong to the group of micro-borrowers considered 'risky'. More than a third of enterprises supported are less than six months old.

Table 2: History of enterprises supported by Progress Microfinance intermediaries (data as of September 2011)

	Up to two years	Up to one year	Up to six months
<i>FM Bank</i>	100%	94.39%	58.88%
<i>Mikrofond</i>	40.93%	30.38%	13.50%
<i>microStart</i>	90.74%	85.19%	79.63%
<i>Patria Credit</i>	90.21%	79.02%	73.43%
<i>Qredits</i>	75.42%	55.87%	24.39%
Total	73.01%	58.63%	34.69%

Outreach to disadvantaged target groups

Individuals with a higher level of education are more likely to be involved in an entrepreneurial activity than those with a lower level of education¹¹. Data provided by *microStart* and *Mikrofond* on the educational background of their clients shows, however, that more than three quarters of the micro-borrowers financed had either completed secondary education (71%) or primary education (5%) only. This shows that these intermediaries also serve people who are in a more fragile position in the labour market.

In terms of age disadvantage, around 5% of the micro-borrowers were under 25 and 13% were older (over 54). However, the group aged between 25 and 54 is certainly not homogeneous. Gauging the representation among end-beneficiaries of the group

¹¹ European Commission, Flash Eurobarometer 283, *Entrepreneurship in the EU and beyond. A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China*, May 2010.

aged 25 to 30 might give more insight into the potential of Progress Microfinance to help young people find a job. Almost 10% of employees of the micro-enterprises financed were young people under 25 and 12% were seniors over 55.

The figures vary a lot in terms of gender. While *Mikrofond*, active above all in the rural areas of Bulgaria, has only 28% of female clients (which is below the national average of 31% of female entrepreneurs¹²), most of Brussels-based *microStart's* clients are women (54%). This figure is far above the national average of 29% of female entrepreneurs.

Regarding outreach to other disadvantaged groups, as of September 2011, the two microcredit providers that reported on this indicator have not financed any disabled entrepreneurs. However, *Mikrofond* reports that 18.8% of its clients belong to a minority likely to belong to the Roma communities in the rural areas in which it is active. Many of *microStart's* clients come from a migrant background, with 93% of them born abroad. The templates would need to be adapted to reflect this in official reporting.

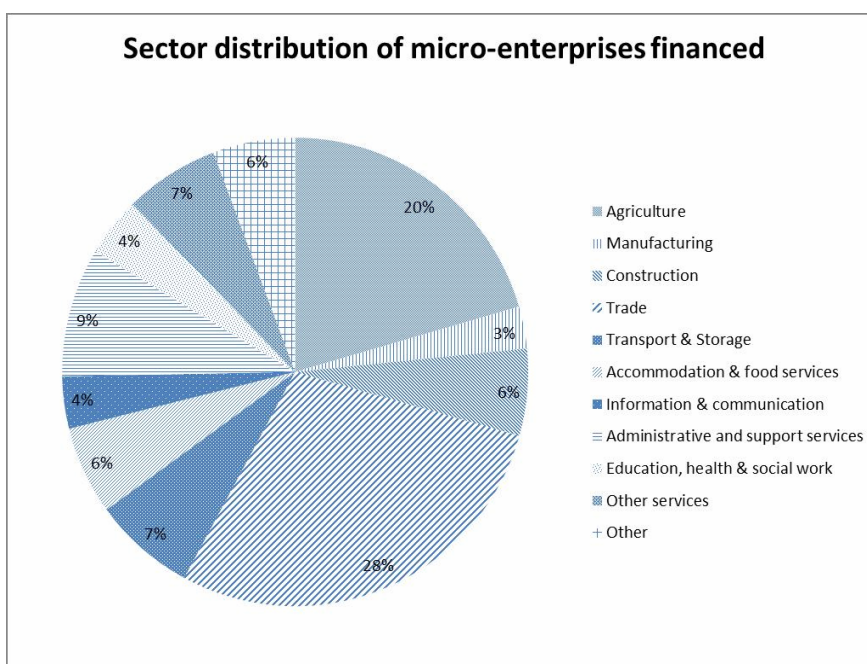
Based on the information given by four microcredit providers, around 1% of the employees of micro-enterprises financed are disabled, while 8% belong to a minority group.

Given the small sample size, it is too early to draw conclusions about the social and employment impact of Progress Microfinance. However, the target groups indicated by the microcredit providers and first indications regarding the real impact suggest that Progress Microfinance helps create jobs and serves disadvantaged groups, in line with the policy objective of promoting financial inclusion.

Sector and geographical distribution of enterprises

The 1079 micro-borrowers financed by the five reporting microcredit providers as of September 2011 are active in a variety of sectors. The predominant sector is trade, accounting for 28.5% of the micro-enterprises financed, followed by agriculture, which accounts for 20%.

¹² European Commission, *Equality between women and men — 2010*, COM(2009) 694 final.



The high percentage of micro-enterprises in the agricultural sector can be explained by the presence of *Patria Credit* and *Mikrofond* in the sample, which focus on rural areas in Romania and Bulgaria.

4. COMPLEMENTARITY AND COORDINATION WITH OTHER EUROPEAN UNION INSTRUMENTS

A microcredit provider typically needs funding to build up its microloan portfolio and risk-sharing instruments in order to reduce the portfolio risk. It also needs seed funding and non-financial technical assistance to build or improve its institutional capacity.

Over the past few years, different elements of microfinance support have been provided under a range of complementary EU instruments:

- Progress Microfinance fills an important gap in portfolio funding.
- Guarantees on microcredit portfolios are already available under the Competitiveness and Innovation Programme (CIP). Today, the CIP and Progress Microfinance guarantee headings are complementary. In principle, microcredit guarantees are only issued under the CIP when a contract is not possible under Progress Microfinance because of the target geography (non-EU countries), the size of the cap amount, or the portfolio's purely commercial focus. The EIF has published guidelines on deal allocation on its website to help microcredit providers with the application process.
- A limited amount of seed funding to help microfinance intermediaries build capacity was allocated by the European Parliament Preparatory Action (EPPA) to promote the development of EU microcredit providers. *MicroStart* and *Qredits* benefited from complementary support under both Progress Microfinance and EPPA. As EPPA was a pilot, no more seed funding is

available for the current financial period. However, the success of the initiative led the Commission to include a capacity-building element in its microfinance support instrument proposed under the Programme for Social Change and Innovation (see also section 5).

- Under the JASMINE initiative, which aims to improve the capacity of microcredit providers in various fields, such as institutional governance, information systems, reporting standards and risk management, microcredit providers can receive an evaluation and/or a rating of their organisation followed by counselling and training tailored to remedy identified weaknesses. JASMINE helps prepare microcredit providers to be eligible for further support. Several JASMINE beneficiaries have successfully applied for Progress Microfinance, e.g. *JOBS MFI* (BG), *Mikrofond* (BG), *Créasol* (FR), *Qredits* (NL), *Patria Credit* (RO) and *FAER* (RO). Vice versa, several Progress Microfinance intermediaries (e.g. *Qredits* and *microStart*) have at a later stage applied for JASMINE. This demonstrates the complementary nature of the two initiatives.¹³
- Progress Microfinance also complements the structural funds. A number of Member States use the European Social Fund to finance business development services, like mentoring or training for starters. These services are known to increase the survival rates of new businesses, even though they are costly for microcredit providers. This is why the microcredit providers supported under Progress Microfinance are required to cooperate with organisations that provide these services, in particular with those financed by the ESF.
- The Commission has facilitated mutual learning in this area by funding the Community of Practice on Inclusive Entrepreneurship (COPIE). This network of ESF managing authorities has developed several tools covering action planning, quality management, entrepreneurship education, access to finance and integrated business support. These tools are designed to help policy makers improve support systems in order to make entrepreneurship a viable option for all members of society, including disadvantaged groups. The tools are available on the internet¹⁴.
- Some Member States and regions use part of their structural funds appropriations to improve access to finance for micro-entrepreneurs directly or through holding funds, including through the JEREMIE initiative.

5. CONCLUSIONS AND OUTLOOK

Although Progress Microfinance has been fully operational for somewhat more than one year, several positive conclusions can already be drawn. The 18 agreements signed demonstrate that Progress Microfinance serves the needs of a great variety of microcredit providers across the EU. It is expected that until the end of 2012, further agreements will be signed with microcredit providers in Austria, Belgium, Germany,

¹³ The proposed successor instrument for microfinance support under PSCI (see section 5) will require microcredit providers to apply high quality standards in line with the principles of the "European Code of Good Conduct for Microcredit Provision".

¹⁴ www.cop-ie.eu.

Ireland, Italy, Sweden and the UK. The reports of microcredit providers show that it has had a positive impact in terms of employment and social inclusion. The Commission will explore with EIF how the social impact reporting framework can be improved.

For the next financial period 2014–20, the Commission has proposed to continue supporting microfinance development throughout the EU under the Programme for Social Change and Innovation (PSCI)¹⁵. This would build on the successful intermediary model by offering a similarly wide range of products, disseminating best practice and pioneering financial inclusion by strengthening underserved market segments. One of the criticisms made about the current financial period is that EU microfinance support is scattered among several separate, though complementary, programmes. The proposed PSCI attempts to create a one-stop-shop for microfinance support. It will also make funding available for the capacity building of microcredit providers based on experience gained from the EPPA initiative and allow the financing of technical assistance for microcredit providers. The financing of microfinance schemes, capacity-building actions and entrepreneurship support services will still be possible across the EU under the structural funds (the ERDF and the ESF), operated through shared management between the Commission and Member State authorities.

¹⁵ COM(2011) 609 final.