



**81st plenary session
7 October 2009**

**OPINION
of the
Committee of the Regions
on
PROGRESS MICROFINANCE FACILITY**

THE COMMITTEE OF THE REGIONS:

- supports the immediate action of the Commission and the EIB in ensuring that the EU's resources are used effectively to help businesses in this period of constrained liquidity and emphasises that the recent financial crisis has led to a credit crunch for Small and Medium-sized Enterprises (SMEs) and micro-enterprises and that this both worsens the economic downturn and hampers any subsequent recovery;
- expresses concern that the reallocation of EUR100m from the PROGRESS programme to the new "Progress" Microfinance Facility may compromise the objectives, impact and effectiveness of that Programme and calls on the Commission to consider other appropriate funding options for implementation of the Facility;
- calls on the Commission to streamline existing EU initiatives and to clarify the coherence between the new "Progress" Microfinance Facility and other EU financial instruments, especially PROGRESS, ESF, JASMINE, JEREMIE and CIP;
- recommends that the Commission more accurately differentiates between the specific target groups and considers the unemployed and disadvantaged persons, including the young, women, older people and minority ethnic communities as target groups and gives these groups a specific and appropriate position in programmes and initiatives related to micro-credits;
- reminds the Commission and EIB Group that the Microfinance Facility will be more effective if co-ordinated and implemented alongside the existing European financial instruments and local and regional programmes within Member States.

Rapporteur

David Parsons (UK/EPP), Leader of Leicestershire County Council

References documents

Proposal for a Decision of the European Parliament and the Council establishing a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility)
COM(2009) 333 final

and

Proposal for a Decision of the European Parliament and the Council amending Decision No 1672/2006/EC of the European Parliament and of the Council establishing a Community Programme for Employment and Social Solidarity – Progress
COM(2009) 340 final

I. POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

The Need for Action

1. Supports the immediate action of the Commission and the EIB in ensuring that the EU's resources are used effectively to help businesses in this period of constrained liquidity and emphasises that the recent financial crisis has led to a credit crunch for Small and Medium-sized Enterprises (SMEs) and micro-enterprises and that this both worsens the economic downturn and hampers any subsequent recovery;
2. Acknowledges that the Financial Perspectives 2007-2013 constrain the possibility for the Commission to allocate new funding to the proposed new "Progress" Microfinance Facility;
3. Expresses concern that the reallocation of EUR100m from the PROGRESS programme to the new "Progress" Microfinance Facility may compromise the objectives, impact and effectiveness of that Programme and calls on the Commission to consider other appropriate funding options for implementation of the Facility;
4. Draws the Commission's attention to the fact that the proposed EUR100m "Progress" Microfinance Facility is unlikely to be sufficient to provide the EUR500m in additional funds needed in order to alleviate current lending constraints, boost micro-finance provision and meet the current levels of demand;
5. Welcomes the "Progress" Microfinance Facility being consistent with the principle of subsidiarity and thus, complementary to the provision of micro-credit facilities by Member States or local and regional authorities;
6. Points out that more than 90% of EU enterprises are micro-enterprises and that the greatest barrier to innovation for those enterprises results from restricted access to micro-credit;
7. Concurs that the majority of micro-credit to disadvantaged persons in the EU is provided by non-commercial micro-finance institutions and that these providers require further support in order to meet the current levels of demand;
8. Believes that the Commission's efforts to develop micro-credit in the EU will prove to be a useful tool to enable those excluded from the conventional credit market to start up new enterprises and support employment creation;
9. Regrets that the role of and impact on local and regional authorities is not fully taken into consideration by the ex-ante evaluation undertaken by the Commission.

Focus on Delivery

10. Calls on the Commission to target innovative micro-enterprises, especially knowledge intensive ones to boost innovation and productivity in the EU;
11. Calls on the Commission to streamline existing EU initiatives and to clarify the coherence between the new "Progress" Microfinance Facility and other EU financial instruments, especially PROGRESS, ESF, JASMINE, JEREMIE and CIP¹;
12. Recommends that the Commission more accurately differentiates between the specific target groups and considers the unemployed and disadvantaged persons, including the young, women, older people and minority ethnic communities as target groups and gives these groups a specific and appropriate position in programmes and initiatives related to micro-credits;
13. Calls on the Commission to emphasise the importance of wider business support measures in addition to financial provision for business start-ups and existing businesses. Providing finance for new and existing businesses should be complemented with active business support mechanisms such as mentoring, training, coaching and capacity building, in addition to interest-rate support from the ESF programme, to encourage sustainable business growth and to ensure business failure rates decrease;
14. Notes that conditions for the provision of and the demand for micro-credit differ greatly across the EU and calls on the Commission to ensure that micro-credit is equally available to areas not benefiting from structural funds as pockets of deprivation and disadvantage may exist even in prosperous areas;
15. Reminds the Commission, Member States, local and regional partners that the EUR 100m Microfinance Facility should be seen in context against other programmes and initiatives. Specifically, the Facility's limited resources will be accessible to all 27 Member States over the next four years. Consequently, the funds should be allocated against specific criteria that deliver maximum impact;
16. Recalls the Opinion of the Committee of the Regions on the "European Recovery Plan and the Role of Local and Regional Authorities" (CdR 12/2009) that requested the Commission to *"submit a proposal for rules on the granting of micro-credit within the EU.....[and] establish basic parameters for awarding micro-credit"*.

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European Community Programme for Employment and Social Solidarity (PROGRESS), European Social Fund (ESF), Joint Action to Support Micro-Finance Institutions in Europe (JASMINE), Joint European Resources for Micro to Medium Enterprises (JEREMIE), Competitiveness and Innovation Framework Programme (CIP).

Communication

17. Reminds the Commission and the EIB Group that the success of the Facility is dependent upon partners, financial institutions and potential beneficiaries being fully aware of the scheme;
18. Insists that the Commission and the EIB Group be proactive in communicating their role and the methods of accessing funding under the different programmes, in partnership with local and regional authorities;
19. Calls on the Commission and EIB Group to clarify the added value of the "Progress" Microfinance Facility and its complementarities to existing business support initiatives at the European, national, regional and local levels;
20. Emphasises that the Committee has previously called upon the Commission and the EIB group to be more proactive in communicating the role, added value and opportunities offered by other business support programmes, i.e. JEREMIE, CIP (see the opinion on a Small Business Act for Europe, CdR 2008/246).

Co-ordination of Delivery

21. Reminds the Commission and EIB Group that the Microfinance Facility will be more effective if co-ordinated and implemented alongside the existing European financial instruments and local and regional programmes within Member States;
22. Recalls the Opinion of the Committee of the Regions on 'The Lisbon Growth and Jobs Strategy' (CdR 245/2008) that reiterated the need for "*co-ordination between Structural Funds and other relevant European programmes....to maximise European added value and involve regional and local authorities*";
23. Suggests that the Commission builds upon the flexibility of the Facility being delivered through non-financial institutions by, where appropriate, working with local and regional authorities as microfinance providers;
24. Calls on the Commission, Member States, local and regional authorities and those bodies entrusted with implementing the Facility to support potential beneficiaries in applying for the loan funds, to minimise the bureaucracy involved in the application, processing and drawdown of funds and to offer further support to reduce the bureaucracy resulting from receipt of these funds.

Evaluation and Monitoring

25. Proposes that the Commission should carry out interim and final evaluations at its own initiative, in close cooperation with international financial institutions, and in consultation with local and regional authorities and final beneficiaries. The final evaluation shall, in particular, examine the extent to which the Facility as a whole has achieved its objectives and complemented other existing EU financial instruments e.g. PROGRESS, ESF, JASMINE, JEREMIE and CIP. The final evaluation should also include an analysis of the distribution of funds across the EU 27;
26. Proposes that while the Microfinance Facility is a temporary measure within the current budgetary framework, if it proves successful the Commission and the EIB should consider continuing the programme beyond 2013.

II. RECOMMENDATIONS FOR AMENDMENTS

Amendment 1
Article 2 of COM(2009) 333

Text proposed by the European Commission	Committee of the Regions amendment
<p>1. The Facility shall provide Community resources to increase access to micro-credits for:</p> <p>(a) persons who have lost or are at risk of losing their job and want to start their own micro-enterprise, including self-employment;</p> <p>(b) disadvantaged persons, including the young, who want to start or further develop their own micro-enterprise, including self-employment;</p> <p>(c) micro-enterprises in the social economy which employ persons who have lost their job or which employ disadvantaged persons, including the young.</p>	<p>1. The Facility shall provide Community resources to <u>increase facilitate</u> access to micro-credits for:</p> <p>(a) <u>unemployed persons or those at risk of losing their job as defined by Article 2 of the EC Regulation No 1927/2006 on establishing a European Globalisation Adjustment Fund, as modified by the EC Regulation No 546/2009, who want to start or further develop their own micro-enterprise, including self-employment;</u></p> <p>(a) persons who have lost or are at risk of losing their job and want to start their own micro-enterprise, including self employment;</p> <p>(b) disadvantaged persons, including the young, <u>women, older people and minority ethnic communities</u>, who want to start or further develop their own micro-enterprise, including self-employment;</p>

	(c) micro-enterprises in the social economy which employ persons who have lost their job or which employ disadvantaged persons <u>as defined in point (b).</u> <u>including the young.</u>
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Reason

- i) There is little common definition and understanding of the term "at risk of losing their job". Therefore it is necessary to reference the definition given in the recently amended EC Regulation establishing the European Globalisation Adjustment Fund No 1927/2006.
- ii) There are a number of disadvantaged groups in addition to the "young" that should be specifically mentioned.
- iii) The reference to the "young" is deleted from paragraph (c) as disadvantaged groups are already defined under paragraph (b).

Amendment 2
Article 4 of COM(2009) 333

Text proposed by the European Commission	Committee of the Regions amendment
<p>1. The Facility shall be implemented by using the following types of actions, as appropriate:</p> <ul style="list-style-type: none">(a) guarantees and risk-sharing instruments;(b) equity instruments;(c) debt instruments;(d) support measures, such as communication activities, monitoring, control, audit and evaluation which are directly necessary for the effective and efficient implementation of this Decision and for the achievement of its objectives. <p>2. The Facility shall be open to public and private bodies established in the Member States which provide microfinance to persons and micro-enterprises in the Member States.</p>	<p>1. The Facility shall be implemented by using the following types of actions, as appropriate:</p> <ul style="list-style-type: none">(a) guarantees and risk-sharing instruments;(b) equity instruments;(c) debt instruments;(d) support measures, such as communication activities, monitoring, control, audit and evaluation which are directly necessary for the effective and efficient implementation of this Decision and for the achievement of its objectives. <p>2. The Facility shall be open to public and private bodies established in the Member States which provide microfinance to persons and micro-enterprises in the Member States.</p> <p><u>3. The public and private bodies established in</u></p>

	<u>the Member States which provide access to the Facility shall develop further guidance on the eligibility of final beneficiaries.</u>
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Reason

- i) Given the limited funds available and to ensure the benefits of the Facility are maximised, it is important that a clear eligibility criteria is established and that this criteria is applied consistently across all 27 Member States.
- ii) Clear eligibility criteria would support effective communication and support differentiation between, and co-ordination with, other programmes.

Amendment 3
Article 5 of COM(2009) 333

Text proposed by the European Commission	Committee of the Regions amendment
<p>1. The Commission shall manage the Facility in accordance with Council Regulation (EC, Euratom) No 1605/2002.</p> <p>2. To implement the actions referred to in Article 4(1), except for the support measures referred to in point (d) of Article 4(1), the Commission shall conclude agreements with international financial institutions, in particular with the European Investment Bank (EIB) and the European Investment Fund (EIF), in accordance with Article 53d of Council Regulation (EC, Euratom) No 1605/2002 and Article 43 of Commission Regulation (EC, Euratom) No 2342/2002. These agreements shall contain detailed provisions for the implementation of the tasks entrusted to them, including the necessity to ensure additionality with national schemes.</p> <p>3. Proceeds, including dividends and reimbursements, received by the international financial institutions referred to in paragraph 2 may be re-invested by them into actions referred to under Article 4(1) (a), (b) and (c) for a period</p>	<p>1. The Commission shall manage the Facility in accordance with Council Regulation (EC, Euratom) No 1605/2002.</p> <p>2. To implement the actions referred to in Article 4(1), except for the support measures referred to in point (d) of Article 4(1), the Commission shall conclude agreements with international financial institutions, in particular with the European Investment Bank (EIB) and the European Investment Fund (EIF), in accordance with Article 53d of Council Regulation (EC, Euratom) No 1605/2002 and Article 43 of Commission Regulation (EC, Euratom) No 2342/2002. These agreements shall contain detailed provisions for the implementation of the tasks entrusted to them, including the necessity to ensure additionality <u>and coordination</u> with national, <u>regional and local</u> schemes.</p> <p>3. Proceeds, including dividends and reimbursements, received by the international financial institutions referred to in paragraph 2 may be re-invested by them into actions referred to under Article 4(1) (a), (b) and (c) for a period</p>

<p>of six years after the starting date of the Facility. Upon closure of the Facility, the remaining balance due to the European Communities shall be repaid to the general budget of the European Communities.</p> <p>4. The international financial institutions referred to in paragraph 2 of this Article shall conclude written agreements with the public and private providers of microfinance referred to in Article 4 (2) laying down their obligations to use the resources made available from the Facility in accordance with the objectives set out in Article 2 and to provide information for the establishment of the annual reports referred to in Article 8 (1).</p> <p>5. The budget for support measures referred to in Article 4 (1) (d) shall be managed by the Commission.</p>	<p>of six years after the starting date of the Facility. Upon closure of the Facility, the remaining balance due to the European Communities shall be repaid to the general budget of the European Communities.</p> <p>4. The international financial institutions referred to in paragraph 2 of this Article shall conclude written agreements with the public and private providers of microfinance referred to in Article 4 (2) laying down their obligations to use the resources made available from the Facility in accordance with the objectives set out in Article 2 and to provide information for the establishment of the annual reports referred to in Article 8 (1).</p> <p>5. The budget for support measures referred to in Article 4 (1) (d) shall be managed by the Commission.</p>
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Reason

It is important to emphasise that the "Progress" Microfinance Facility will be more effective if co-ordinated with national, regional and local schemes.

Amendment 4 Article 9 of COM(2009) 333

Text proposed by the European Commission	Committee of the Regions amendment
<p>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</p>	<p>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), <u>and in consultation with local and regional authorities and final beneficiaries</u>. 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</p>

the extent to which the Facility as a whole has achieved its objectives. 2. The results of the evaluations will be transmitted, for information, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.	in Article 5(2). The final evaluation shall, in particular, examine the extent to which the Facility as a whole has achieved its objectives <u>and complemented other existing EU financial instruments e.g. ESF, JASMINE, JEREMIE and CIP, without compromising the objectives, impact and effectiveness of the PROGRESS Programme.</u> 2. The results of the evaluations will be transmitted, for information, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.
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Reason

- i) The delivery of the "Progress" Microfinance Facility should be delivered in partnership with local and regional authorities. Consequently, any evaluation should be undertaken in consultation with the local and regional authorities and final beneficiaries as they are ideally placed to advise on the overall impact and effectiveness of the "Progress" Microfinance Facility.
- ii) The Facility will only be effective if it complements other existing EU financial instruments, therefore the extent to which this has occurred should be part of the evaluation framework.

Brussels, 7 October 2009.

The President
of the Committee of the Regions

Luc Van den Brande

The Secretary-General
of the Committee of the Regions

Gerhard Stahl

III. PROCEDURE

Title	Progress Microfinance Facility
Reference(s)	<p>Proposal for a Decision of the European Parliament and the Council establishing a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility) COM(2009) 333 final</p> <p>Proposal for a Decision of the European Parliament and the Council amending Decision No 1672/2006/EC of the European Parliament and of the Council establishing a Community Programme for Employment and Social Solidarity – Progress COM(2009) 340 final</p>
Legal basis	265 of TEC
Procedural basis	Appointment of rapporteur-general according to Rule 40 of the Rules of Procedure.
Date of Council referral	17 July 2009
President's decision	29 July 2009
Commission responsible	Commission for Economic and Social Policy (ECOS)
Rapporteur	Cllr. David Parsons (UK/EPP), Leader of Leicestershire County Council
Analysis	-
Discussed in commission	N/A
Date adopted by commission	N/A
Result of the vote in commission	N/A
Date adopted in plenary	7 October 2009
Previous Committee opinions	<ul style="list-style-type: none">– The European Economic Recovery plan and the Role of Local and Regional Authorities (ECOS-IV-031, April 2009)– "Think Small First", A "Small Business Act" for Europe (ECOS-IV-027, February 2009)– The Lisbon Growth and Jobs Strategy (ECOS IV-026, November 2008)– The situation of migrant women in the European Union (ECOS-IV-013, October 2007)– The Leverage Effects of the Structural Funds (COTER-IV-003, March 2007)– Financing SME Growth (ECOS-IV-008, February 2007)