



# Desarrollo de un sistema sostenible de microcreditos en Europa

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Sevilla



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# Microfinance Definition

**Offer adapted financial services to a significant number of people on low income who are economically active in order to improve their living conditions and their participation in the local economy.**

**Build up in the long term sustainable financial institutions at the service of underprivileged populations .**

**Source : CGAP (Consultative Group to assist the Poor – International investor)**



# Main features



**Definition UE: loan below 25 000 EUR**

**Microfinance comprises financing and non financial services (microfinance vs microcredit)**

**Microfinance is hardly profitable, but makes sense economically**



**Focus on social inclusion, entrepreneurship and job creation rather than profitability.**



# European Microfinance Network

- ✓ The mission of EMN is to promote microfinance as a tool to fight social and economic exclusion and to promote microentrepreneurship and self-employment.
- ✓ This is achieved by supporting the development of microfinance organisations through the dissemination of good practices and by improving the regulatory frameworks for microfinance, self-employment and microenterprises at the European Union and Member State levels.



# Strategy

- ✓ EMN is a network organisations created, run and supported by its members.
- ✓ EMN supports its members:
  1. by making their working environment more favorable, both at European and national levels.
  2. by helping them grow and develop so that they become sustainable organisations that respond to specific market needs.
- ✓ 6 Working Groups: Research, IT, Social Performance, Asset Building, Legal Environment and Regulation and Growth



# Members

EMN has 93 members in 21 European countries.

Members are microfinance providers, research institutions, banks, etc.

75% practitioners  
 25% Eastern Europe  
 22% consulting, research organisms  
 10% banks





# Spanish Members (13)

- ACAF, Asociacion de Comunidades Autofinanciadas
- BBK
- CpAc, Fundacio Privada per a la Promocio de l'Autoocupacio de Catalunya
- Microbank (La Caixa)
- Fundacion CajaSol
- Caja Granada
- Fundacion ICO
- Marcelo Abbad Consultoria
- MITA, Centro de Desarrollo de Iniciativas Empresariales (ONG)
- Nantik Lum
- SURT, Asociacio de Dones per a la integracio laboral
- WWB (Bancomujer)

**List of Spanish MFIs on Plataforma Espanola de Microfinanzas (PEM): [www.esmicrofinanzas.com](http://www.esmicrofinanzas.com)**



# EMN strengthens its members...

- ✓ Promoting the share of information among its members
- ✓ Offering to our members external information from public and private institutions from inside & outside the EU
- ✓ Influencing policy makers for the promotion of the sector in Europe







# Microfinance in Europe



# Characteristics of microfinance in Europe

- ✓ Strict regulation for microenterprises at national level
- ✓ Highly developed bank system, strict bank regulation
- ✓ Regulation differences across Europe, non common EU legal framework
- ✓ Difficulties for organisms of reaching sustainability



# The social context

- ✓ Population at risk of poverty: 78 million
- ✓ Working population under the poverty line: 28 million
- ✓ Rate of people at risk of poverty in the EU: 17% (2007)
- ✓ National figures vary from 10% to 25%
- ✓ Especially at risk: women, young people (20% for children between 0-17; 19% for those between 18-24 years), single parent households with children (34%)
- ✓ Long-term unemployment is one of the main factors of exclusion



# The financial context

- ✓ Financial exclusion defined as the part of the population without a bank account, neither savings nor credit (nor insurance): 7% in EU15, 34% in EU10
- ✓ In the 10 new EU countries 47 % don't have a bank account, compared to 10% in the EU15.
- ✓ In the EU15, 18 % of adults don't have access to bank transactions, 30% don't have savings and 40% don't have any credit facilities.



# Market segmentation

Existing SMEs

New traditional enterprises

Microenterprises set up by excluded persons

Income-generating activities

Market gap to be filled by banks



Market gap to be filled by specialised institutions



# European Microfinance models

## ONG, focus microfinance

ADIE in France, Per Micro in Italy, ANDC in Portugal

Inspired by international practice  
Integrated non financial services

## ONG, focus on specific groups

PSYBT in UK, Banco Mundial de la Mujer in Spain,  
Autonomia Foundation in Hungary, etc

Small scale (exemption: Prince Trust)  
Finance seen as added value for enterprise  
support

## Non for Benefit MicroFinance Institutions

Credal in Belgium, Fair Finance in UK, Patria Credit in  
Romania, Mikrofond in Bulgaria, etc – MFIs in Eastern Europe  
and Credit Cooperatives in Western Europe

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## Institutional support programmes

DMI in Germany, Finnvera in Finland, Fonds de  
Participation in Belgium, ICO in Spain, ...

Part of existing programmes of development  
banks

Political pressure at the basis

Sometimes image problem for reaching out to  
clients and make them pay

## Special entities of banks

Microbank and Savings Banks Foundations in Spain,  
Millennium Microcredito in Portugal, Microstart (ADIE & BNP)  
in Belgium

Recent development

Strong growth

Synergy effects on costs due to existing  
infrastructure.





# Main challenges (1/2)

In Western Europe the need to provide microentrepreneurs with access to microloans is now recognised. However, in order to develop and better respond to the needs of potential clients, the microfinance sector faces a number of challenges:

- An environment characterised by a highly developed, competitive financial service industry, with a growing number of operators offering high-interest consumer loans leading to over-indebtedness by families;
- An entrenched welfare system that fails to encourage people to seek self-employment;
- The lack of an entrepreneurial culture, and moreover the lack of incentives to develop one at various levels of society;



# Main challenges (2/2)

- Lack of sufficient funding to cover operational costs of microlenders, and the short-term basis on which funding is offered;
- High dependency on the public sector for operational and capital funding, with little independent revenue due to low interest rates;
- An unfavourable legal framework resulting from the implementation of usury laws that prohibit development of the sector;
- The development of best practices among microlenders in order to strengthen their operational and performance capacities.





# An enabling European policy

- ✓ MF is situated between two major areas: economic policy and social inclusion policy.
- ✓ This two-fold approach is completed by regional cohesion policy
- ✓ Initiatives: EPMF, JASMINE and CIP
- ✓ The creation of a dedicated EU Entrepreneurship and Microfinance Taskforce now converted into a permanent unit within the organigram of DG Employment as focal point for Microfinance at European level.



# European Progress Microfinance Facility (EPMF)

- ✓ €200 million (EC & EIB) Microfinance facility for investment, guarantee and lending to EU MFIs (2010-2013).
- ✓ Addressed to increase the availability of microcredit – loans below € 25 000 – for setting up or developing a small business, via Guarantees & Equity and Debt finance instruments for Microfinance
- ✓ Progress Microfinance does not directly finance entrepreneurs, but enables selected microcredit providers issuing guarantees, thereby sharing the providers' potential risk of loss

<http://ec.europa.eu/social/main.jsp?langId=en&catId=836>



# European Progress Microfinance Facility (EPMF)

- ✓ Can I access Progress microfinance? Yes, if you:
  - want to become self-employed or set up/develop a microenterprise (<10 employees)
  - are unemployed
  - have taken time out of the labour market
  - have difficulty getting conventional credit

- ✓ How can I apply?

Find out if there are already microfinance providers in your country supported by EPMF (Spain: Instituto de Credito y Finanzas de la Region de Murcia - ICREF)



# JASMINE (Joint Action to Support Micro-Finance Institutions in Europe)

- ✓ Technical Assistance:
  - evaluation / diagnosis / rating of the selected MFI
  - tailor-made training & Business support services
- ✓ JASMINE Workshops
- ✓ JASMINE HELPDESK  
<http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=jasminhelp&lang=en>
- ✓ European Code of Good Conduct for Microcredit provision



# CIP – SME Guarantee Facility (SMEG)

- ✓ Loan guarantees to encourage banks to make more debt finance available to SMEs, including:
  - Loan Guarantees
  - Microcredit, guarantees for loans of up to € 25000 to micro-enterprises with up to nine employees, particularly entrepreneurs starting a business
  - equity and quasi-equity guarantees
  - securitisation
  
- ✓ Spain: Microbank-LaCaixa & CERSA – Compañia Espanola de Reafianzamiento S.A. [www.reafianzamiento.es](http://www.reafianzamiento.es)



# Perspectives for EU financial Microfinance instruments 2014-20 (1/3)

## COSME

✓ Replaces the SME Guarantee Facility (SMEG) under the CIP. COSME aims at improving SME access to finance and has an indicative budget of EUR 1 436 million, including equity and loan guarantee funds:

- Equity Facility for Growth: up to 20% investments in the early stages. Budget of EUR 690 million.
- Loan Guarantee Facility: designed to provide guarantees for loans to SMEs up to EUR 150,000 and guarantees for the securitisation of SME debt finance portfolios. Budget EUR 746 million.

✓ More information on COSME:  
[http://ec.europa.eu/cip/cosme/index\\_en.htm](http://ec.europa.eu/cip/cosme/index_en.htm)



# Perspectives for EU financial Microfinance instruments 2014-20 (2/3)

## PROGRAMME FOR SOCIAL CHANGE AND INNOVATION (PSCI)

- ✓ Replaces the current European Progress Microfinance Facility
- ✓ Three main axes of intervention:
  - **PROGRESS**: development of Union Employment and Social policy and legislation on working conditions, and promotes evidence-based policy-making and innovation in partnership with social partners and civil society.
  - **EURES**: promote workers' geographical mobility.
  - **MICROFINANCE AND SOCIAL ENTREPRENEURSHIP**: facilitate access to finance for entrepreneurs, especially those furthest from the labour market, and social enterprises.



# Perspectives for EU financial Microfinance instruments 2014-20 (3/3)

## MICROFINANCE AND SOCIAL ENTREPRENEURSHIP:

- ✓ The microfinance fund: continuation of EPMF and will propose Guarantees and funded instruments (equity & debt) to Microfinance providers in EU. Also, funding for capacity building investments, through loans, equity, grants. It is expected that EIF, as the current manager of EPMF will also be the manager of this fund. Importance of the CGC
- ✓ The social entrepreneurship fund targets enterprises which have primarily a social mission, via equity, quasi-equity, loans and grants, up to a maximum of EUR 500.000 via financial intermediaries.
- ✓ Estimated budget for each fund: EUR 92 million, out of a total of budget of EUR 958 million for the whole PSCI
- ✓ More information on the PSCI:  
<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1093>





# Questions...

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