

EUROPEAN
MICROFINANCE
DAY

29/10/20

BRUSSELS
(ONLINE)
EVENT

WEATHERING
THE STORM





29/10/20

WELCOME BY THE PRESIDENTS

Elwin Groenevelt, EMN president

Lucia Popovska, MFC president

OPENING REMARKS

Manuela Geleng

Director for Skills DG EMPL

European Commission

KEYNOTE ADDRESS

Joaquim Oliveira Martins

Deputy Director of the OECD Centre for
Entrepreneurship, SMEs, Regions and Cities



ENSURING ACCESS TO FINANCE FOR ENTREPRENEURS DURING COVID-19

MEP Monica Semedo

EMPL Committee & Social Economy Intergroup

Shadin Viratham

DG EMPL, European Commission

Monica Scatasta

Director of the Technical Assessment and
Monitoring Directorate, Council of Europe Bank

Bruno Robino

Deputy Head of Financial Instruments Advisory
Division, European Investment Bank



EUROPEAN CODE OF GOOD CONDUCT AWARD CEREMONY

Nicholas Costello

Deputy Head of Unit, DG EMPL
European Commission

Thank you video of Code awardees

TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

INCLUSIVE ENTREPRENEURSHIP AND START-UP FINANCE IN A POST-COVID WORLD

Joaquim Oliveira Martins, Deputy-Director
OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)

European Microfinance Day
29 October 2020

A stylized globe with glowing red lines and dots representing global connectivity and data flow. The globe is shown in a dark blue and black color scheme, with the continents highlighted in a lighter blue. Numerous red dots are scattered across the globe, connected by thin, glowing red lines that arc across the sky, suggesting a global network or data flow. The background is a solid dark blue.

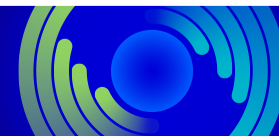
1. Cross-country evidence on impact for entrepreneurs

Entrepreneurs have been at the center of the COVID-19 pandemic

- Entrepreneurs are **disproportionately concentrated** in those sectors hit the hardest
- Job insecurity is **about 3x worse** among self-employed than among employees
- **Insolvencies** expected to rise significantly (~**20%** in 2020/2021.)

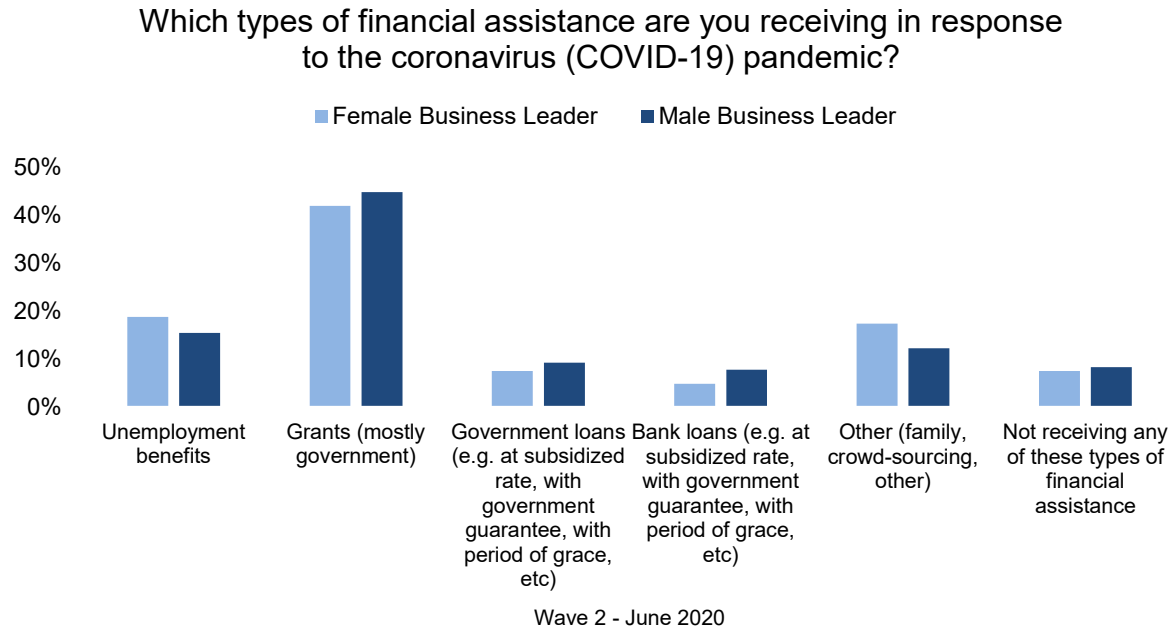


Source: Eurostat (2020), Labour Force Survey.



Entrepreneurs from under-represented groups have been hit hardest

- In EU countries such as Germany, surveys show that **youth entrepreneurs** struggle due to lack of experience and capital.
- In Canada, **women-owned businesses** are more likely to lay-off 80% or more of their employees due to the pandemic (62%) relative to the overall business population (45%).
- Reliance on **own-funding**.



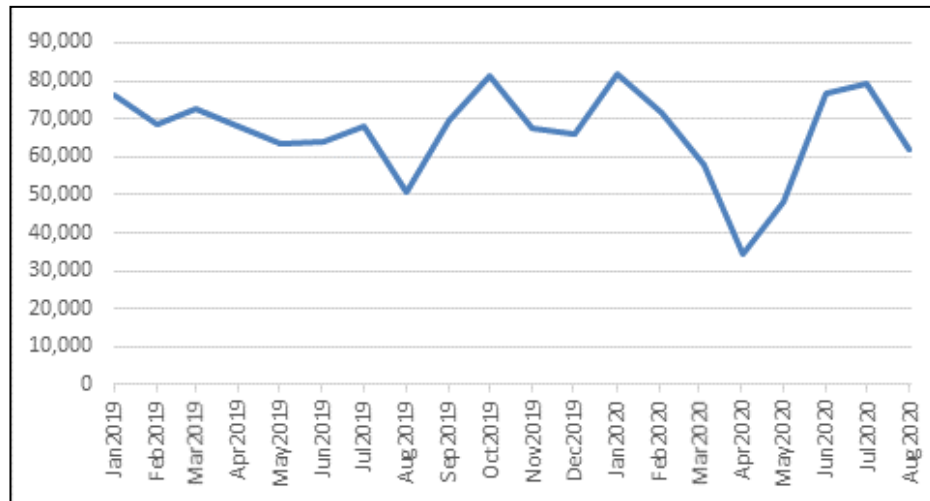
Source: OECD/Facebook/World Bank, Future of Business Survey.



Start up rates plummeted over Q2 2020 – but a tentative recovery is underway in some countries

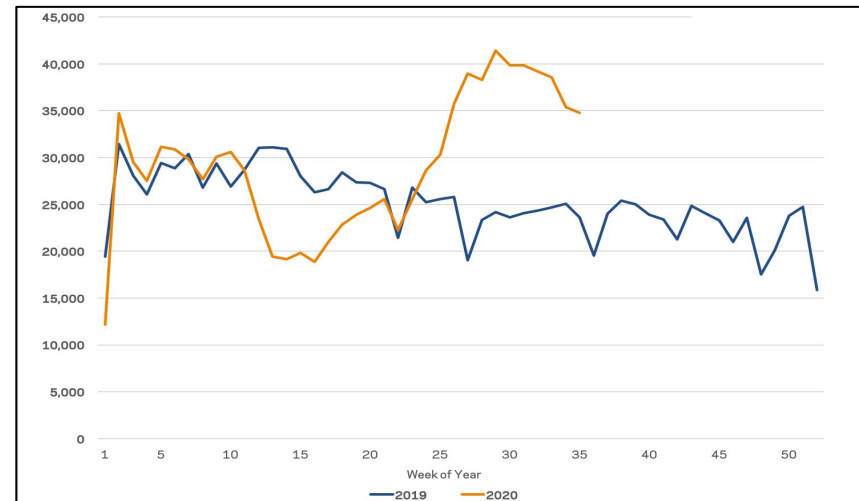
Monthly creation of new businesses in France

Jan 2019-Aug 2020



Weekly Business applications in the United States

2019 – 2020 (Jan-Aug)



Source: INSEE <https://www.insee.fr/fr/statistiques/4631321#consulter> and US Census Bureau's Business Formation Statistics: <https://eig.org/news/weekly-update-covid-19-business-formation>

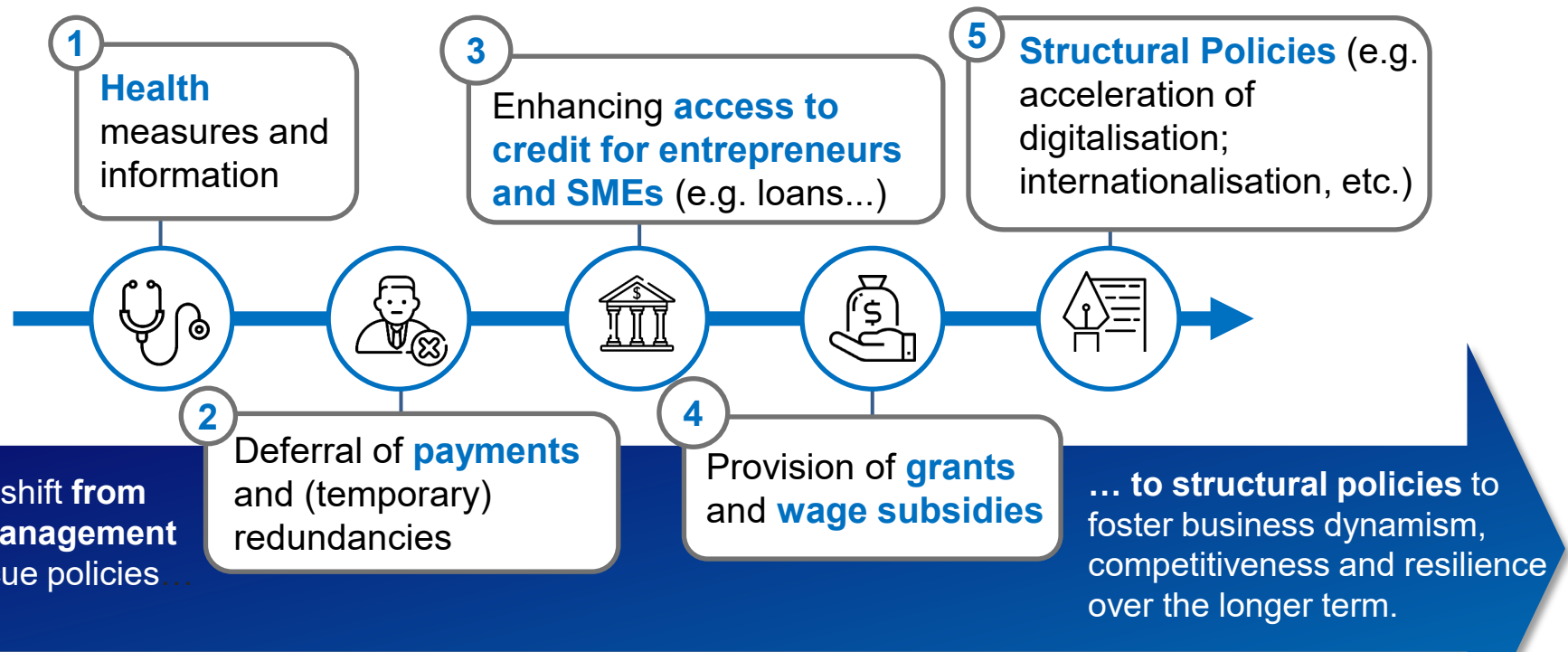
- Strong **drop in business creation/ application rates** between March and May 2020, followed by recovery over the summer, although uncertainty remains





2. How have governments responded?

In most countries, measures were sequenced to address the crisis



The policy response for entrepreneurs and SMEs was comprehensive and ambitious

Selected discretionary fiscal measures adopted in countries in response to COVID-19

As of 3 September 2020, % of 2019 GDP

	Immediate fiscal impulse	Deferral	Other liquidity/ guarantee
Belgium	1.4%	4.8%	21.9%
Denmark	5.5%	7.2%	4.1%
France	4.7%	8.7%	14.2%
Germany	8.3%	7.3%	24.3%
Greece	3.1%	1.2%	2.1%
Hungary	0.4%	8.3%	0.0%
Italy	3.4%	13.2%	32.1%
Netherlands	3.7%	7.9%	3.4%
Portugal	2.5%	11.1%	5.5%
Spain	3.7%	0.8%	9.2%
United Kingdom	8.0%	2.3%	15.4%
United States	9.1%	2.6%	2.6%

- High diversity in policy instruments
- Strong emphasis on liquidity support (guarantees and deferrals)
- Less focus on structural measures
- But self-employed and new entrepreneurs not able to access all support measures



A close-up photograph of a person wearing a light blue surgical mask and a red top. They are holding a black smartphone in their right hand, which displays a green checkmark and the word "Paid" on its screen. The phone is positioned over a black payment terminal held by another person wearing a blue long-sleeved shirt. The background is blurred, showing other people in a public setting. A large blue diagonal overlay covers the bottom left portion of the image, containing white text.

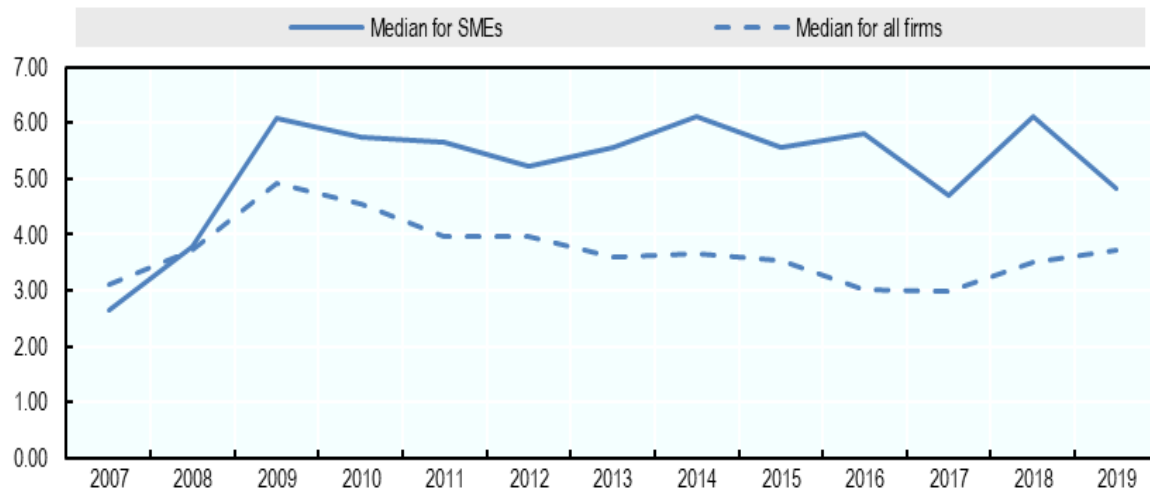
3. Financing entrepreneurship during COVID-19

The crisis erupted against the backdrop of weak lending, despite favourable conditions...

- **New lending flows declined** in 11 out of 22 countries
- **Interest rates declined** in 25 out of 36 countries
 - Despite **favourable lending conditions** in general
- **SME NPLs were relatively stable** in the run-up to the crisis

Growth in non-performing loans (NPLs), 2007-19

Median value for participating countries, as a percentage of all SME and firm loans



Source: Data compiled from Scoreboard country profiles

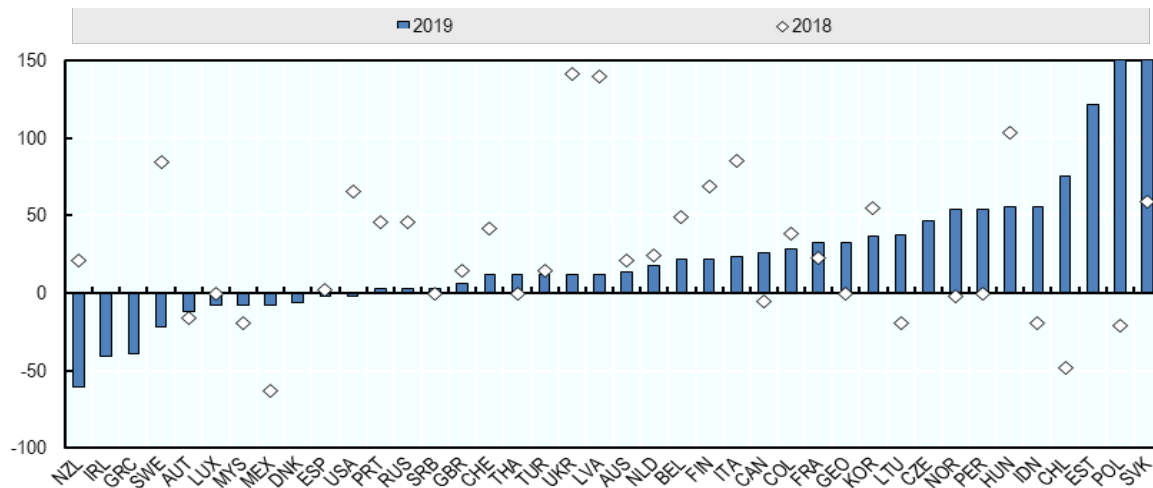


...and strong growth in the uptake of non-bank financing instruments

- **Leasing, hire purchases and factoring activities** all increased
- **Online alternative finance** likely increased (comprehensive data forthcoming)
- **Venture Capital Investments** expanded in 29 out of 40 countries

Growth in Venture capital investments, 2018-19

Year to year change as a percentage (%)



Source: Data compiled from Scoreboard country profiles



Lending to firms held up during crisis, but other types of finance are cause for concern...

2020 trends in lending vs. ...



Euro zone

- Increase in demand for loans & no significant tightening of credit standards



United Kingdom

- Steep increase in demand for credit in Q2 2020



North America



- Increase of the demand for corporate loans and an increase in credit requirements



- Expected increase in demand of corporate credit in Q3



Japan

- Increased corporate lending, especially for SMEs

...alternative financing instruments

- **Early stage equity finance:** Decline in seed and angel investments in US/ China, expected contraction in Euro zone
- **Trade finance:** likely to be strongly affected given the pronounced decline in both supply and demand of international trade
- **Leasing and hire purchases:** loan delinquencies are likely to rise, which is expected to lead to fewer activities



...including microfinance, which is confronted with several challenges after years of growth

1. Clients face greater difficulty with repayment

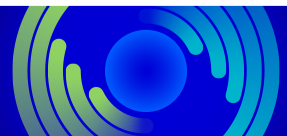
- Business continuity
- Business performance
- Negative future outlook

2. Operational challenges for MicroFin Inst.

- Portfolio performance
- Demand for credit is uncertain
- Credit rationing
- Risk management
- Client relations (monitoring and service delivery)
- Operational challenges (e.g. cost reductions, teleworking)

Snapshot of microfinance in France

- 244 000 microcredits distributed at end of 2018
- EUR 1.359 billion outstanding in 2018
- +35.9% growth in outstanding microcredits between 2013 and 2018
- 55% of outstanding microcredits are for professional activities.





4. What's next?

There are several priorities going forward for inclusive entrepreneurship and microfinance



Access: How to ensure a **fast-track access** to support for SMEs and the self-employed, while ensuring **accountability**? How can we ensure that instruments are reaching **all entrepreneurs**? How do we improve **financial inclusion**?



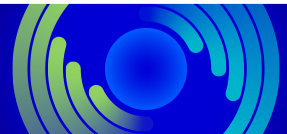
Sustainability: How can **alternative financing mechanisms** and channels be leveraged to avoid over-indebtedness of entrepreneurs and SMEs? How do we ensure that **lenders** and **microfinance institutions** are sustainable? How do we avoid the collapse of **entrepreneurship ecosystems**?



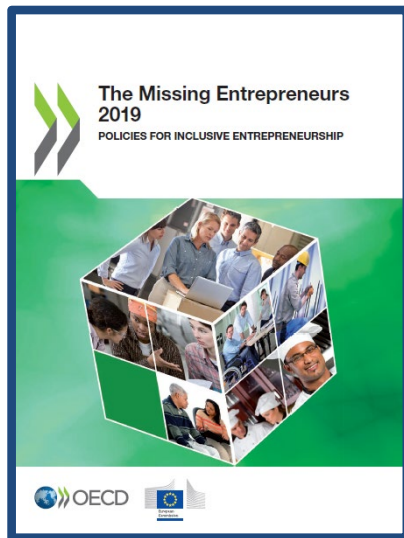
Business dynamism: Helping survival, facilitating exit, and promoting entry in **specific sectors**, including support for **innovative entrepreneurship**, **second chance entrepreneurship** and **creation of start-ups** (e.g. conducive regulatory frameworks).



Moving towards structural responses: How to move **from crisis management to structural policies** that can enhance entrepreneurs' resilience and competitiveness over the longer term?



The Missing Entrepreneurs 2021



- The impact of **COVID-19** will be a cross-cutting theme.
- Thematic chapters will cover **Microfinance** and **Immigrant entrepreneurship**.
- Chapters focussed on target groups with **internationally comparable indicators** on activity rates, barriers, characteristics.
- **Country profiles** will provide a snapshot of the policy context in each country.
- Published in **Fall 2021**.



Don't miss our other latest policy responses to the COVID-19 crisis

- 
- [SME Policy Responses](#) (6th edition, 15 July)
 - [Culture shocked: COVID-19 and the cultural and creative sectors](#) (7 September)
 - [Social economy and the COVID-19 crisis: current and future roles](#) (30 July)
 - [Cities policy responses](#) (3rd edition, 7 July)
 - [Tourism Policy Responses](#) (4th edition, 2 June. Also available in [French](#) and Italian.
 - [The territorial impact of COVID-19: managing the crisis across levels of government](#) (2nd edition, 16 June)
 - [Implications of Coronavirus crisis for Rural Development](#) (16 June)
 - [Capacity for remote working can affect lockdown costs differently across places](#) (2 June) Also available in [French](#) & [German](#)
 - [From pandemic to recovery: Local employment and economic development](#) (27 April)
 - [Italian regional SME policy responses](#) (22 April)



TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

Thank you

✉ Joaquim.OLIVEIRA@oecd.org

Twitter: @OECD_local

LinkedIn: www.linkedin.com/company/oecd-local

Website: www.oecd.org/cfe





European Microfinance Day 2020

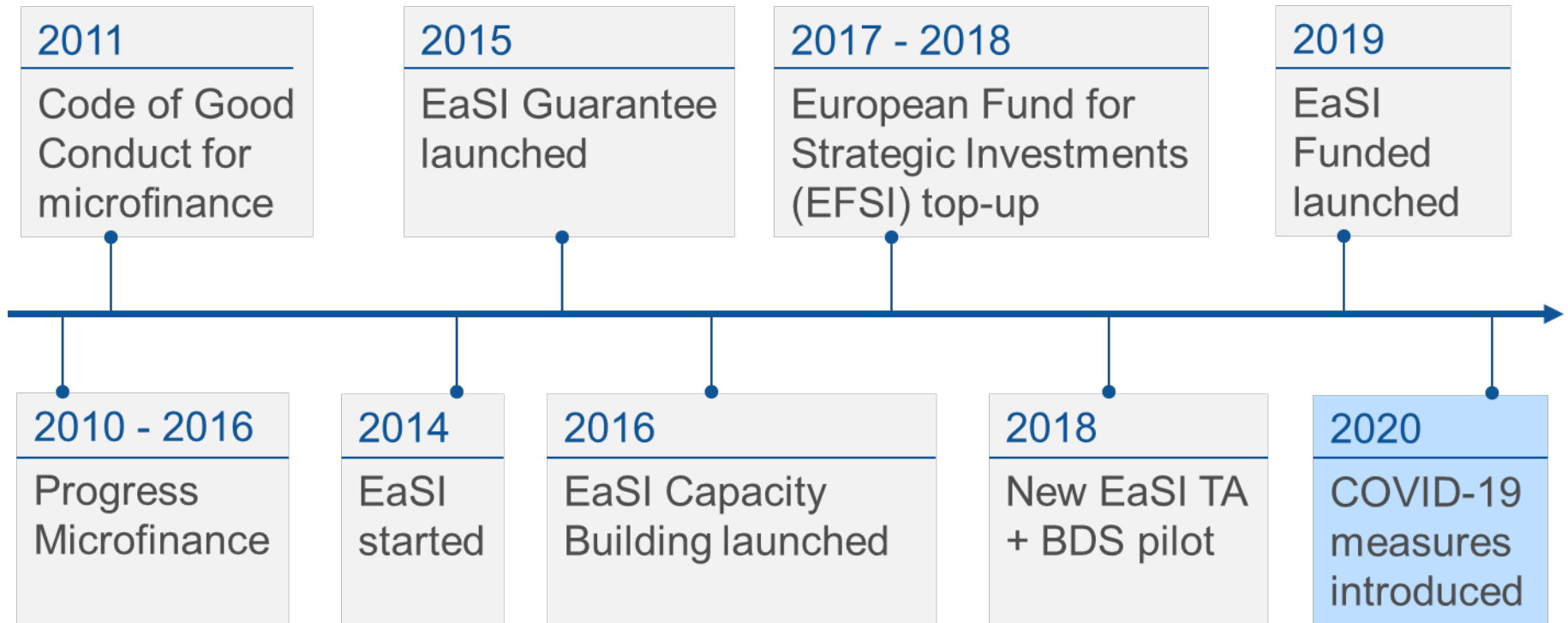
Ensuring access to finance for entrepreneurs during Covid-19

Shadin VIRATHAM PULSAWATDI

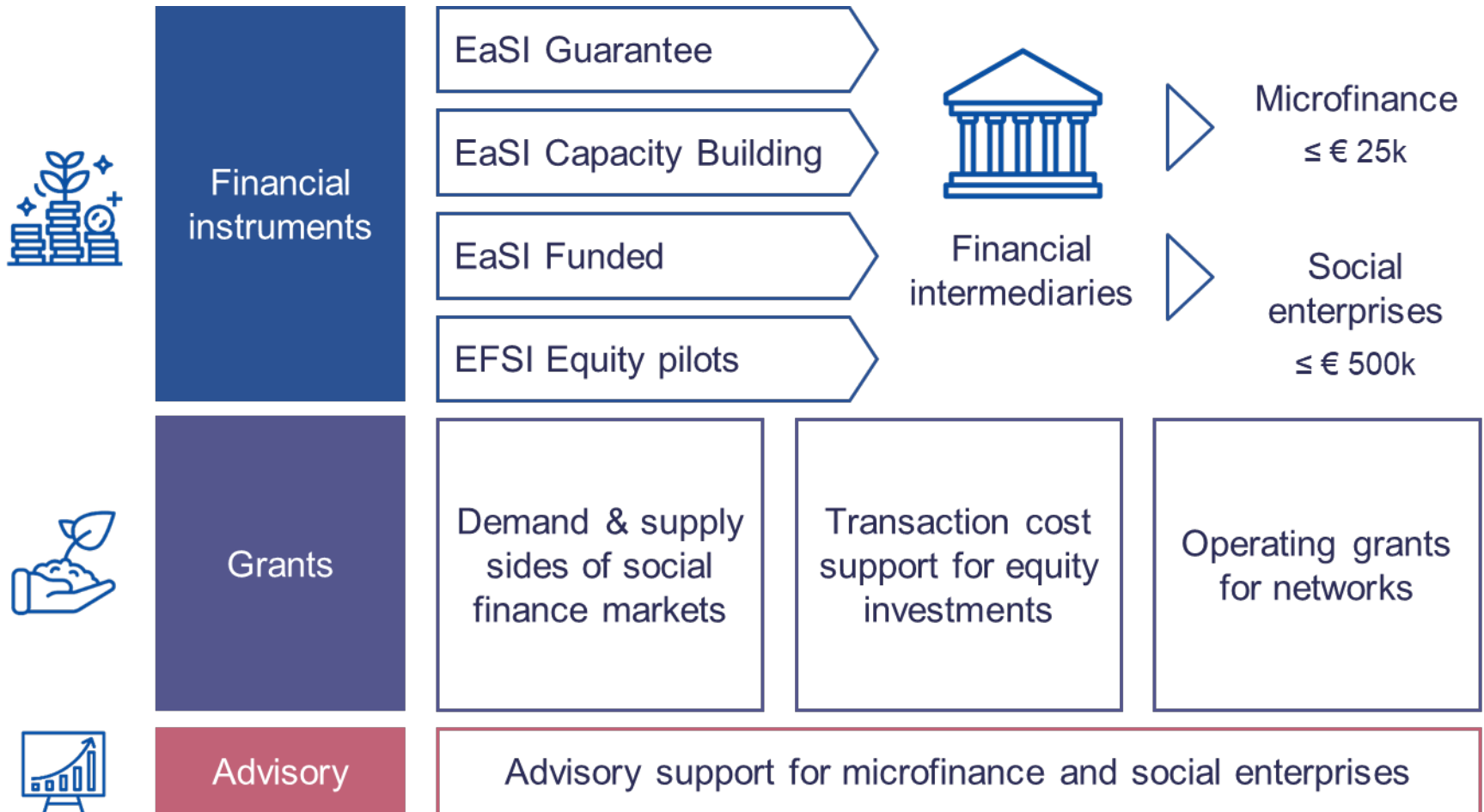
29 October 2020

*European Commission,
Directorate-General for Employment, Social Affairs and Inclusion
shadin.viratham@ec.europa.eu*

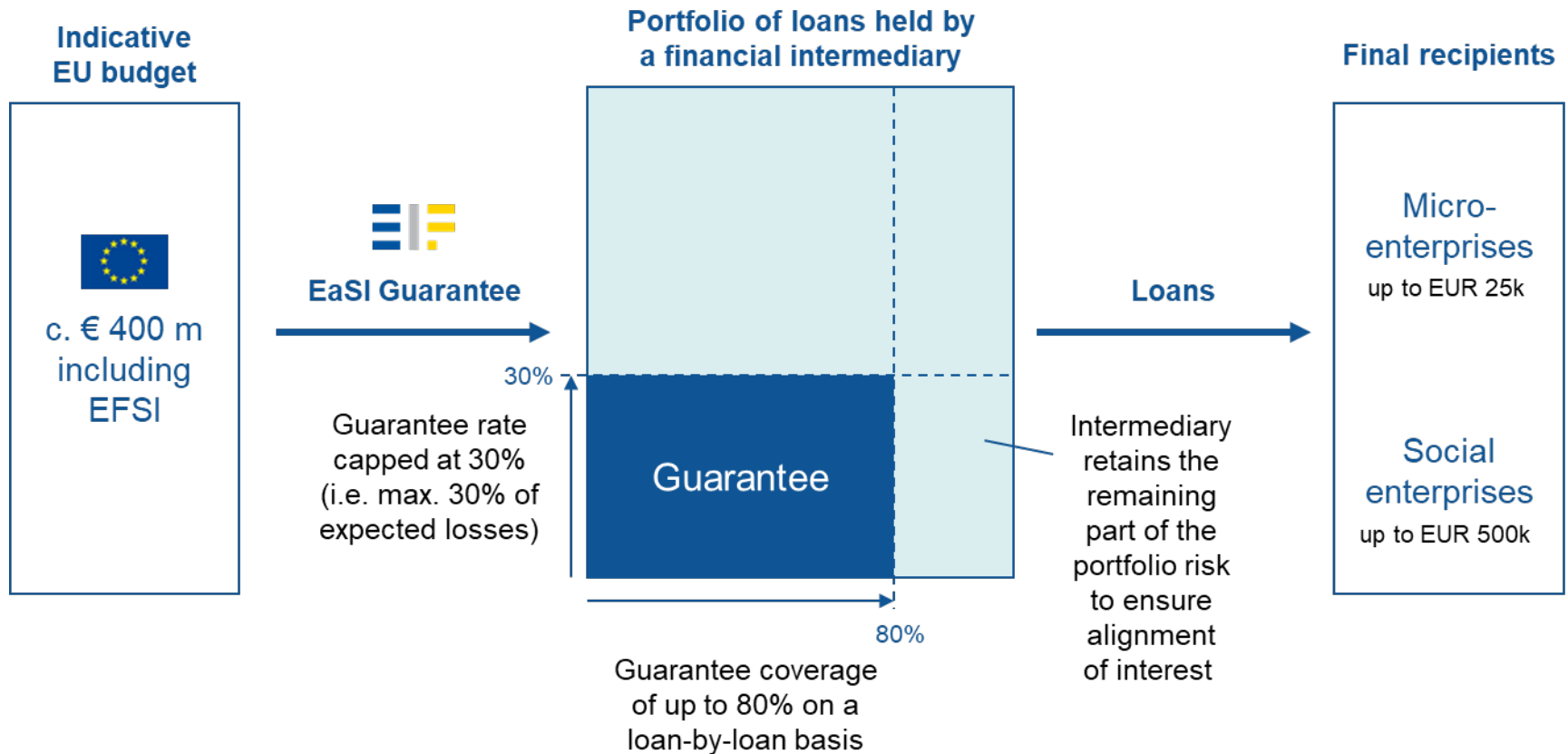
EU support for the microfinance sector has broadened over the past decade



Comprehensive EaSI policy response “toolbox” to support the social finance ecosystem



EaSI Guarantee: a risk-sharing mechanism to support under-served target groups



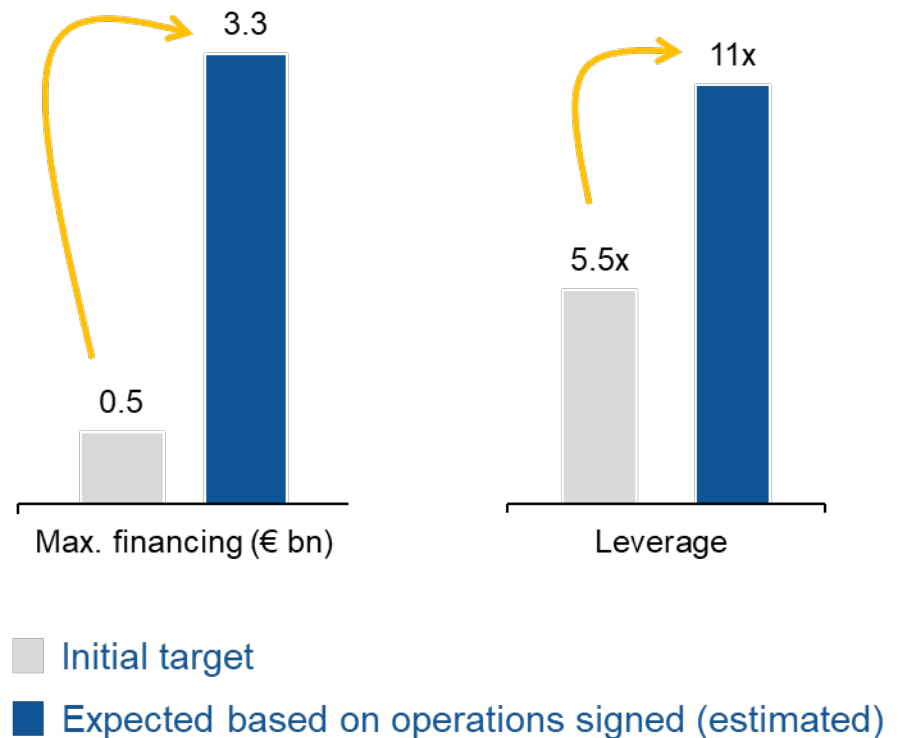
The flagship EaSI Guarantee is expected to unlock up to € 3.3 billion in financing

139 operations in 31 countries



- Operations signed
- No operations

Using every available euro



Enhanced flexibility of the EaSI Guarantee in response to COVID-19

Examples of COVID-19 support measures:

- *Max. guarantee rate increased from 80% to 90%*
- *Guarantee cap rate increased by 50%*
- *Guarantee coverage extended by 12 months*
- *Availability period for loan inclusions extended by 6 months*

The unprecedented COVID-19 crisis has called for an unprecedented EU response

#coronavirus crisis EU economic response



€575 bn

National measures taken under the flexibility of EU budgetary rules (general escape clause)



€100 bn

SURE - EU funding for short-time work schemes



€70 bn

Direct EU budget support



€3,045 bn

National liquidity measures, including schemes approved under temporary, flexible, EU State aid rules



€240 bn

European Stability Mechanism Pandemic Crisis Support for Member States



€200 bn

EIB - European Investment Bank Group financing for businesses

Total: €4.2 trillion

The ECB has launched the €1,350 bn Pandemic Emergency Purchase Programme



Ensuring access to finance for entrepreneurs during Covid-19

European Microfinance Day: Weathering the storm
29 October 2020

Bruno Robino
Deputy Head of Division
Financial Instrument Advisory, EIB

EIB contribution to combating the coronavirus: EIB Group financing package:

- 9 April 2020 EIB's initiative to create a **guarantee fund** of **EUR 25bn**, to support up to EUR 200 bn of financing for European companies, with a focus on SMEs.
- With EUR 2.2bn EIF will provide guarantees to financial intermediaries, unlocking up to EUR 8 billion for SMEs financing.
- up to **EUR 10bn** of dedicated **liquidity lines to banks** to ensure additional working capital support for SMEs and mid-caps
- up to **EUR 10bn** of dedicated **asset-backed securities** (ABS) purchasing programmes to allow banks to transfer risk on portfolios of SME loans.

All the above actions can be implemented quickly to ease liquidity shortages and will be executed in partnership with national promotional banks wherever feasible.

EIB contribution to combating the coronavirus: EIB Group financing package:

- **EUR 5 bn** EIB pipeline of projects in the health sector (primarily under InnovFin) to finance projects that work towards **halting the spread** of or **finding a cure for** the coronavirus.
- EIB Group supports emergency measures to finance **urgent infrastructure improvements** and **equipment needs** in the health sector.
- Outside EU, EIB announced **EUR 5.2 bn** of accelerated financing and targeted technical assistance, available **for clients in 100 countries** as part of response to the coronavirus.

All the above actions can be implemented quickly to ease liquidity shortages and will be executed in partnership with national promotional banks wherever feasible.

European Guarantee Fund

The protection shield for European businesses

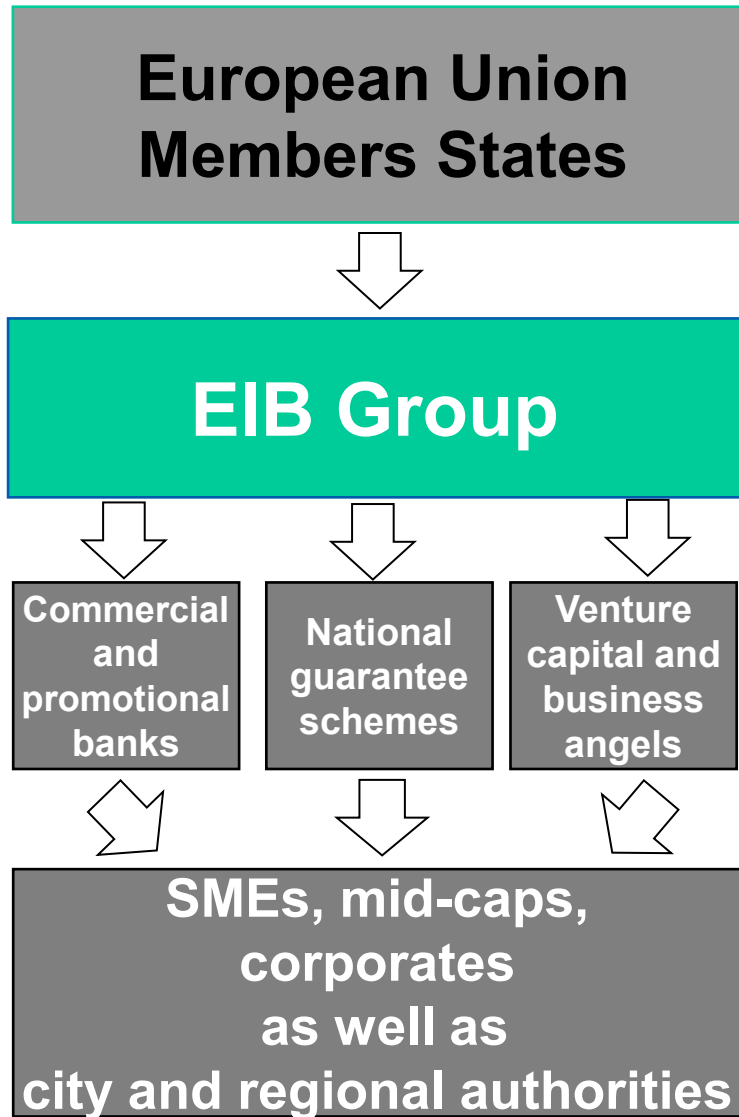
□ Scope:

The Fund is designed for European Union **businesses that are having trouble** because of the economic downturn but that would have been strong enough to get a loan in the absence of the Covid-19 crisis.

□ Objective:

Generating **up to EUR 200 bn** for the economy, by mobilising extra finance from the private sector.

EGF: how does it work?



- MS provide guarantees to EIB.
- MS guarantees will cover losses that may occur in the EGF operations of both EIB and EIF, according to their share in the EGF.
- To Increase financing available for small and medium companies, mid-caps and corporates EGF, in turn, provides guarantees to national promotional banks, local banks and other financial intermediaries.
- Costs: by sharing credit risk across EU MS, the overall average cost of the guarantee are lower compared to national schemes.
- Participating countries will benefit from EIB AAA rating.

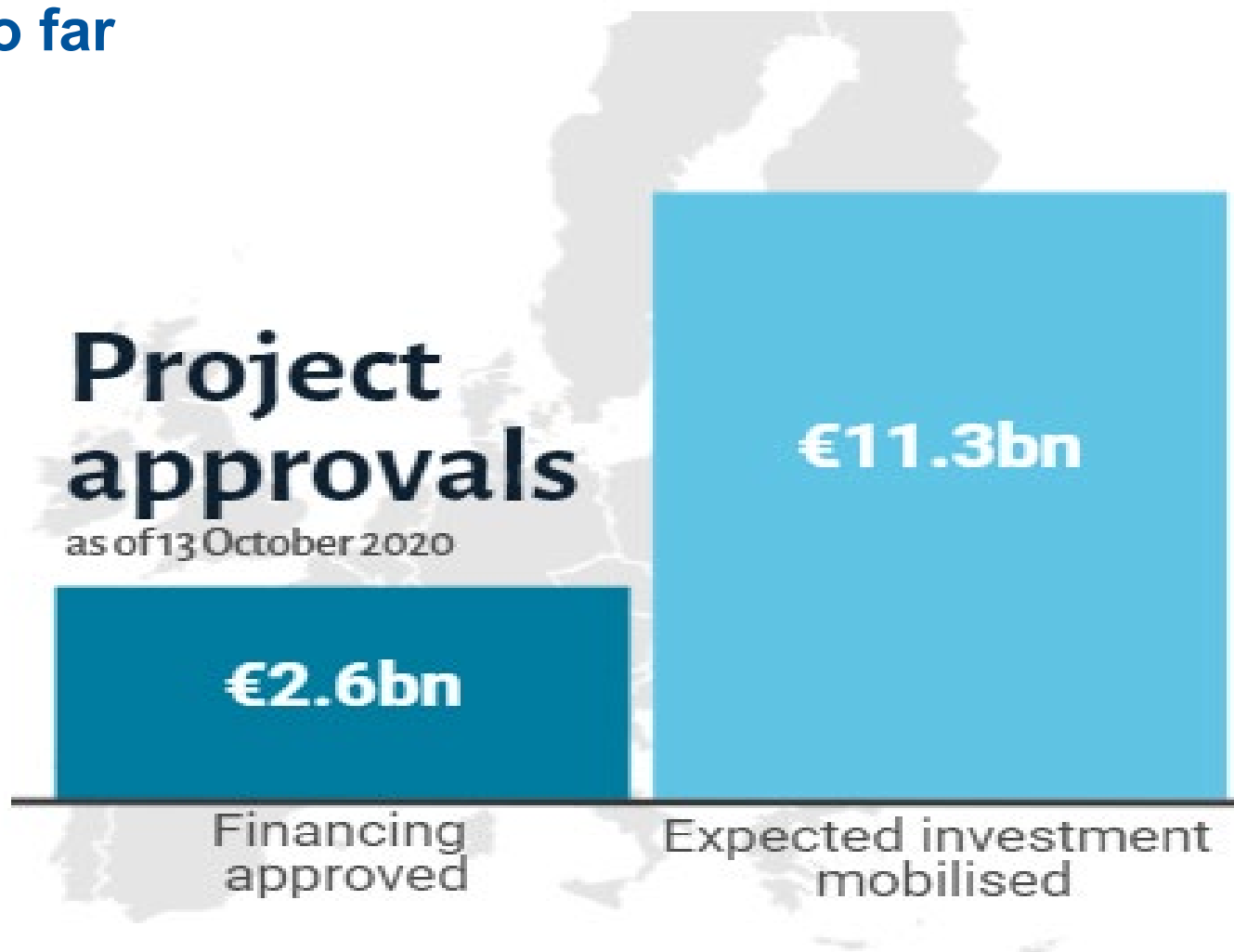
EGF: who can benefit?

- ❑ The EGF will provide finance to **companies** that are viable in the long-term, but are struggling in the current crisis.
- ❑ At least 65% of the financing are earmarked for **SMEs**.
- ❑ A maximum of 23% to **companies with 250 or more employees**, with restrictions applying to larger companies with more than 3,000 staff.
- ❑ A maximum of 5% of the financing to **public sector companies** and entities active in the area of health or health-research or providing essential services related to the health crisis.
- ❑ Another 7% of EGF-supported financing can be allocated to **venture and growth capital and venture debt** in support of SMEs and midcaps

EGF supports:

-  Small and medium companies
-  Companies with 250 or more employees (mid-caps)
-  Public sector companies active in the area of health
-  Venture and growth capital and venture debt

EGF: progress so far



The European Guarantee Fund



For more information:



www.eib.org/en/products/egf/

Coronavirus Response Investment Initiative (CRII) and Coronavirus Response Investment Initiative Plus (CRII Plus)

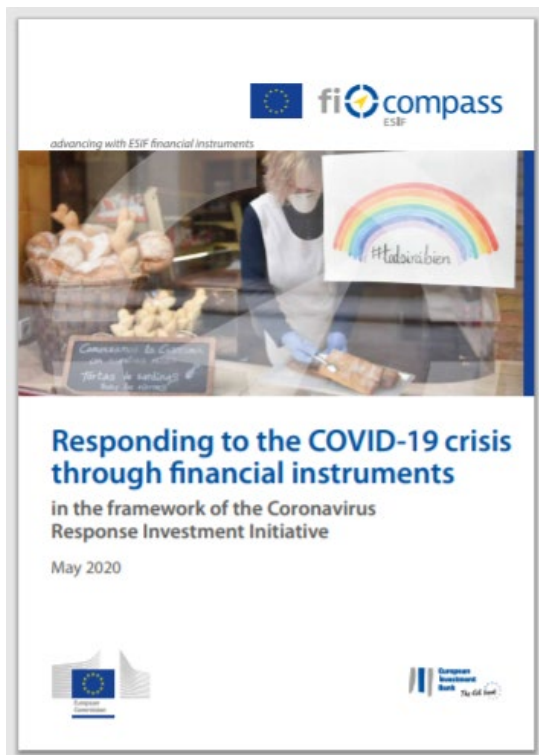
- ❑ On 1 April 2020, Regulation (EU) 2020/460 came into force under the name of **Coronavirus Response Investment Initiative (CRII)** including amendments to the Common Provisions Regulation 1303/2013 (CPR) as well as to Regulations (EU) No 1301/2013 (ERDF Regulation) and No 508/2014, in order to rapidly mobilise ESI Funds in response to the COVID-19 health and economic crisis.
- ❑ On 24 April 2020, Regulation (EU) 2020/558 entered into force as part of a follow on **Coronavirus Response Investment Initiative Plus (CRII Plus)** package.

Coronavirus Investment Initiative (CRII/CRII+)

CRII/CRII+ regulations – new flexibilities

- Ex-ante assessment
 - Working capital
 - Eligibility of expenditure
 - Co-financing/transfer between funds/reporting
 - Undertakings in difficulty
 -
-
- ☐ Temporary Framework for State aid measures
 - ☐ Public procurement communication

For more information: *fi-compass* factsheet



- ☐ Adapting existing financial instruments (e.g. through expansion of working capital support)
- ☐ New financial instrument(s)
- ☐ Additional grant in combination with financial instruments
- ☐ Stand-alone grant support to support ESIF and non-ESIF loans

Also describes CRII/CRII+ flexibilities and features two mini-case studies – SIH, National Fund for Social Entrepreneurship, Poland

<https://www.fi-compass.eu/publication/factsheets/factsheet-responding-covid-19-crisis-through-financial-instruments>

For more information: CRII *podcast*



The ***fi-compass* Jam Sessions** podcasts feature practitioners in financial instruments supported by European Structural Investment Funds discussing and shedding light on the latest developments in the sector.

<https://www.fi-compass.eu/fi-compass-podcasts>



