The Role of Microfinance in Mitigating Human Capital Flight

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The Role of Microfinance in Mitigating Human Capital Flight

Webinar

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EaSI Technical Assistance to the European Microcredit Sector

European Commission
DG Employment, Social Affairs and Inclusion

Programme Snapshot 2019

This project has received financial support from the European Union Programme for Employment and Social Innovation “EaSI” (2014-2020).
EaSI Technical Assistance within the EU Programme for Employment and Social Innovation (EaSI)

Funded and managed by the European Commission

EaSI Funding Programme
Microfinance and Social Entrepreneurship axis

Implemented by
EaSI Technical Assistance

FS/MFC/EMN
MFR

To improve the operations of

MCP
MCP
MCP
MCP

For the benefit of
Micro-enterprises
Micro-enterprises
Micro-enterprises
Micro-enterprises

EaSI Financial Instruments
EaSI Guarantee
EaSI Capacity Building
EaSI BDS grants
EaSI Grants
EaSI Transaction Cost Support Grants
EaSI Funded Instrument

EaSI BDS grants
EaSI Capacity Building
EaSI Guarantee
EaSI Financial Instruments
EaSI Grants
EaSI Transaction Cost Support Grants
The EaSI Technical Assistance Service Providers

Service Providers

Technical Assistance:
» Frankfurt School of Finance and Management gGmbH (FS) – Consortium Leader for the Technical Assistance Services
» Microfinance Centre (MFC) – Consortium Partner
» European Microfinance Network (EMN) – Consortium Partner

Assessment, Evaluation and Ratings:
» MF Rating – Provider of Institutional Assessments, Rating and Evaluations

Project Beneficiaries and Geographic Coverage

» Public and private EaSI financial intermediaries (greenfield microfinance institutions, non-bank microcredit providers, fintechs, licensed banks and guarantee granting entities) in all Member States of the European Union, as well as providers from Albania, Republic of North Macedonia, Iceland, Montenegro, Norway, Serbia and Turkey may respond to dedicated Calls for Expression of interest to request Technical Assistance.

How to Apply for Technical Assistance?

» Before applying eligible microcredit providers must first sign-up to or endorse the European Code of Good Conduct for microcredit provision.
» To apply respond to open Calls for Expression of Interest published on the ec.europa.eu/social/easi webpage.
EaSI Technical Assistance to the European Microcredit Sector

What is offered to whom?

- Selected Beneficiaries
- Microcredit providers signed-up to the Code
- Wider European microcredit sector

**Capacity Building**
- Tailored trainings
- Investment-readiness trainings
- Institutional Assessment
- Optional Financial or Social Rating

**European Code of Good Conduct**
- Trainings on the implementation of the Code
- Post-evaluation trainings
- Evaluations of the Code compliance

**Dissemination of Best Practices and Helpdesk**
- Microfinance Workshops and Webinars
- Peer-to-peer trainings
- Study Visits
- Helpdesk

**Project Duration – 4 years**

July 2018 – July 2022
EaSI Technical Assistance

For more information, about:

Technical Assistance, contact: easi.ta@fs.de

Ratings and Evaluations, contact: easi.ta@mf-rating.com

The EaSI Programme, visit: ec.europa.eu/social/microfinance

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The author of this presentation takes full responsibility for its contents. The opinions expressed do not necessarily reflect the view of the European Commission.
Do you have a question?

Use this icon 🙋 to let the presenters know that you would like to be given the floor.

Use the chat to talk with one person in particular.

Use the Q&A to ask questions in writing.
EaSI Technical Assistance

The Role of Microfinance in Mitigating Human Capital Flight

Presentation of a policy paper

Oscar Verlinden
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20 April, Brussels
The Challenge: Human Capital Flight
The Challenge: Human Capital Flight

Young, skilled citizens move to Western Europe

- Weakens local economic fabric
- Leaves essential functions unfilled
- Erodes education and local knowledge
The Challenge: Human Capital Flight

Young, skilled citizens move to Western Europe

- Weakens local economic fabric
- Leaves essential functions unfilled
- Erodes education and local knowledge

The European Committee of the Regions (CoR) warns that the phenomenon of brain drain poses **a risk to the long-term sustainability of the European project** if social and economic imbalances between sending and receiving regions remain unaddressed.
Already manifested:
Moldova lost 33% of population
Albania lost 1.64mn vs 2.8mn living in the country

Population decrease by 2050:
Bulgaria -38%
Romania -30%
Croatia -22%

Population decrease by 2100:
Albania -62%
Serbia -52%
Moldova -50%
Bosnia-Herzegovina -50%

Covid-19 prompted a mass return home, exposing demographic tensions
The Value Proposition of Microfinance
The Value Proposition of Microfinance

Loans with an inclusive mission, coupled with non-financial services

• Lowers the barrier to entry for entrepreneurs
• Complementary to welfare systems
• High level of attention to clients specificity
• Promotes entrepreneurial best practices
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MFI primary objectives in 2020 Overview Survey:
EMN research and data on the microfinance sector
Social Return on Investment

1€ invested in an MFI generates 2-4€ of return to the public budget.
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Market analysis and recommendations for 2021-2027

EUR 12.9bn market gap for microfinance
Social Return on Investment

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Market analysis and recommendations for 2021-2027

EUR 12.9bn market gap for microfinance

Microfinance Objectives = Policymaker objectives
Policy Proposals
Policy Proposals

- Include microfinance in policies addressing regional imbalances

- Endorse and amplify the messages of the Committee of the Regions

- In ESF+

  Increase the link between life long learning, vocational training, and microfinance. Support returning emigrants and stimulate young & rural entrepreneurship.

  Further the use of financial instruments to support entrepreneurs via microfinance

- In ERDF:

  Infrastructure investments should be accompanied by job-creation projects
Microfinance's Role in Mitigating Human Capital Flight

An example from Albania

Herjola Spahiu, CEO, NOA Albania
hspahiu@noafin.al

21 April 2021, Tirana
NOA

• A leading Albanian MFI
  - Operating since 1998
  - 24 branches, 260 staff
  - Current slogan: #ReinventingMicrofinance

• Key figures
  - Active loan portfolio: 45 million euro
  - Customer numbers: 13,000
  - Average loan: appx. 3,500 euro
  - Focus on Agro (23%), self-employed & businesses (62%) and family (15%)
Case in point: Albania’s human capital challenge

- **A large diaspora**
  - The country counts 2.8 million inhabitants, and 1.64 million emigrants living abroad
  - Since 2014, 474,000 Albanians have received EU citizenship, among top nationalities

- **A continuing increasing trend**
  - 85% of young people 18-25 intent to leave the country
  - 153,000 asylum-seekers in the EU in the last four years, accounting among top 3 nationalities per million habitants

- **The risk of depopulation**
  - World Bank estimates by 2050: Decrease by 34% of people below 65 years old and increase for elder ages 183%
  - UN projection end of 2100: top world decrease of population -62%
  - Pre-covid fertility rates the lowest in a century. Post-covid period, more deaths than births for the first time ever.
What an MFI can do? NOA’s example

- **Promoting “entrepreneurial resilience”**
  - Awarding a “Social Impact Prize” for NOA’s clients that kept ‘believing’
  - Focus on women, rural economy, minorities and agriculture
  - Fighting the backward mentality: “Taking a loan is a bad thing”

- **Awareness raising campaign “Choose Albania”**
  - Call not to leave the country and invest here, through entrepreneurship
  - Communication budget of 50k euro, funded solely by the company
  - Annual-long initiative, on national media outlet and social networks
  - Promotion also of staff working nation-wide
Promoting “entrepreneurial resilience”

Gezim, although 60% blind, he keeps running his farm alongside his wife, while employing other farmers working for him.

Paola took over the family ski resort while expanding & diversifying the business activity through a microloan.

Nebije, counts 20 years of traditional art crafts. She employs women from her village and her daughter returned from Italy to get involved in the family business.

Genta, the first women ‘wood-boat’ constructor in Albania, decided to return from Spain and keep investing in her dream and start-up.
Awareness raising campaign: “Choose Albania” (1st phase)

- First slogan, call to action: “Choose Albania, choose to invest here”
- Promotion of why an entrepreneur should invest in the country
- Advisory towards clients not to “give up”
- Print, social media & TV advertising
Awareness raising campaign: “I chose Albania” (2nd phase)

- Second slogan, real examples: “I Chose Albania, I chose to invest here”
- Promotion of individual’s stories who succeeded in most challenging situations, some were awarded “Social Impact Prize”;
- Building a business through a loan as “an alternative” to emigration
- Print, social media & TV advertising
Awareness raising campaign: “Choose Albania” (3rd phase)

- All across the country, is getting harder and harder to find staff

- Promoting Microfinance:
  - as a mean to support the country through adapted financial products
  - as an exciting career pathway for young talents

- Usage of “Chose” message & design in all hiring communications
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