



## EaSI Technical Assistance

# The Role of Microfinance in Mitigating Human Capital Flight

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# EaSI Technical Assistance

## The Role of Microfinance in Mitigating Human Capital Flight

### *Webinar*

**Oscar Verlinden, European Microfinance Network**  
[o.verlinden@european-microfinance.org](mailto:o.verlinden@european-microfinance.org)

20 April

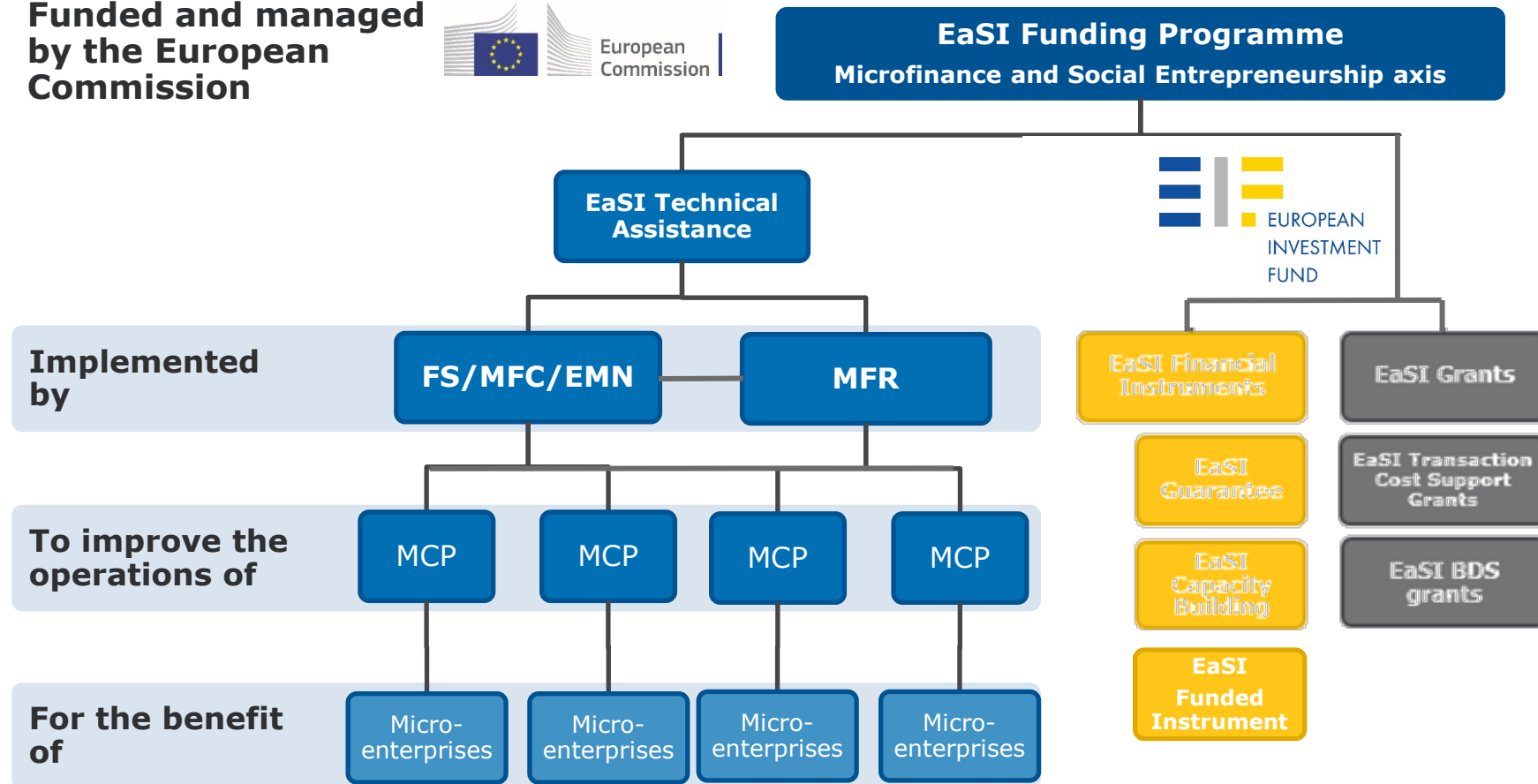
# EaSI Technical Assistance to the European Microcredit Sector

**European Commission**  
**DG Employment, Social Affairs and Inclusion**



# EaSI Technical Assistance within the EU Programme for Employment and Social Innovation (EaSI)

Funded and managed  
by the European  
Commission



# 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.

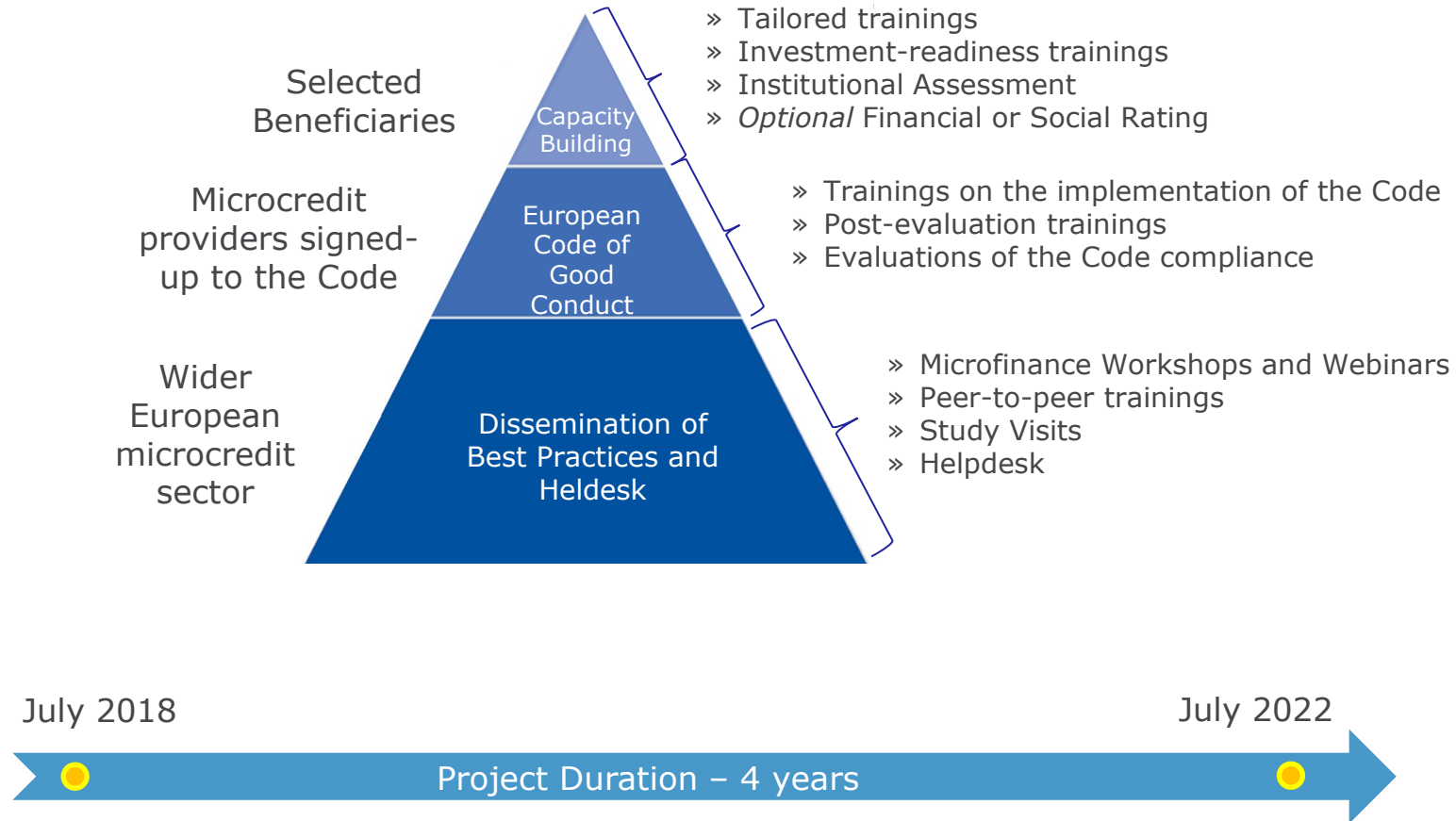
## How to Apply for Technical Assistance?

- » 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](https://ec.europa.eu/social/easi) webpage.



# EaSI Technical Assistance Overview

## What is offered to whom?





# EaSI Technical Assistance

**For more information, about:**

Technical Assistance, contact:  
**[easi.ta@fs.de](mailto:easi.ta@fs.de)**

Ratings and Evaluations, contact:  
**[easi.ta@mf-rating.com](mailto:easi.ta@mf-rating.com)**


The EaSI Programme, visit:  
**[ec.europa.eu/social/microfinance](https://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.

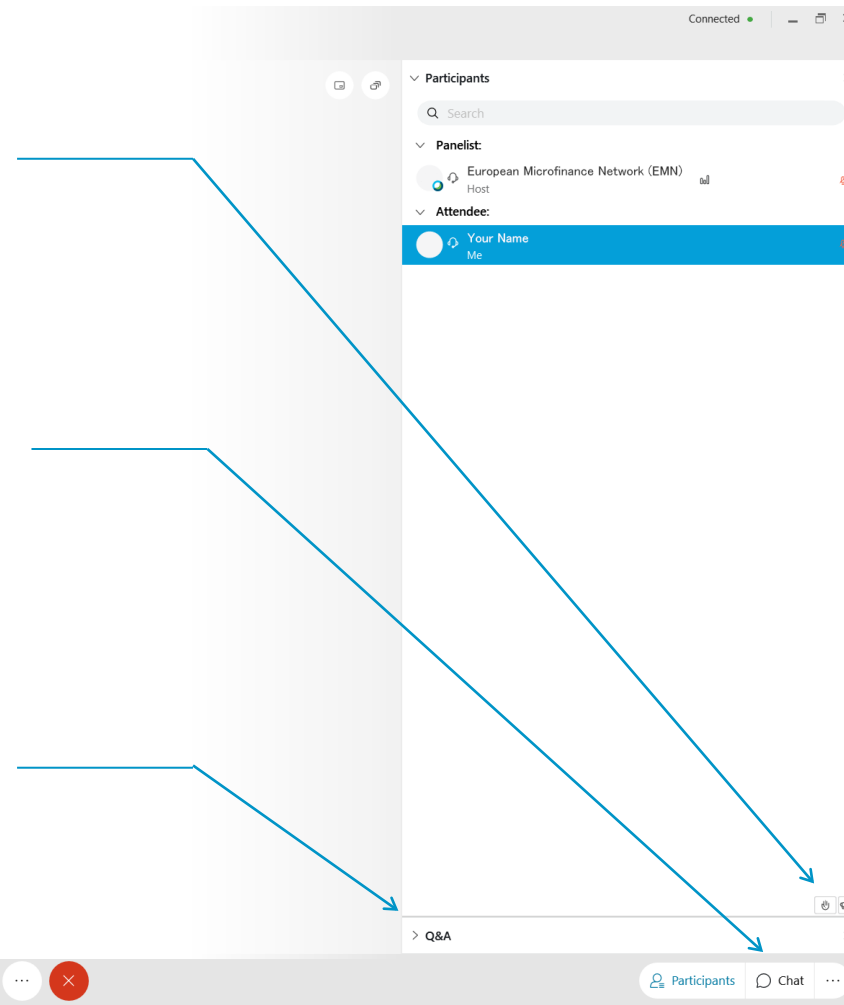


# Do you have a question?

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**

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*Young, skilled citizens move to Western Europe*

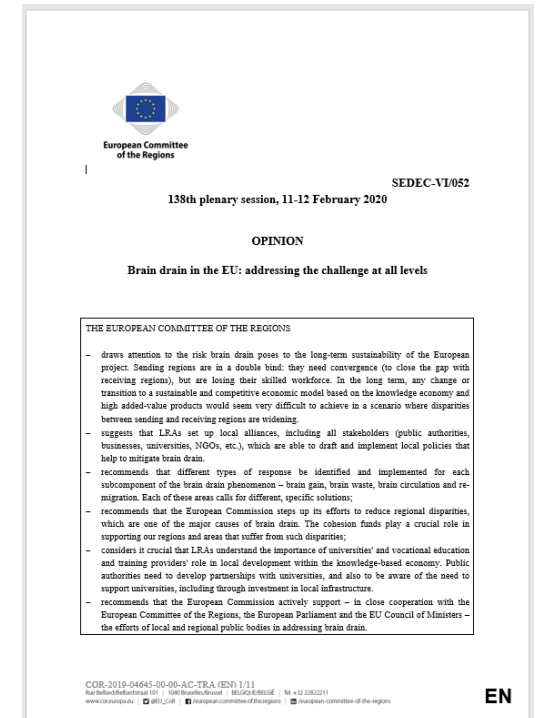
- **Weakens local economic fabric**
- **Leaves essential functions unfilled**
- **Erodes education and local knowledge**



# The Challenge: Human Capital Flight

*Young, skilled citizens move to Western Europe*

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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:**

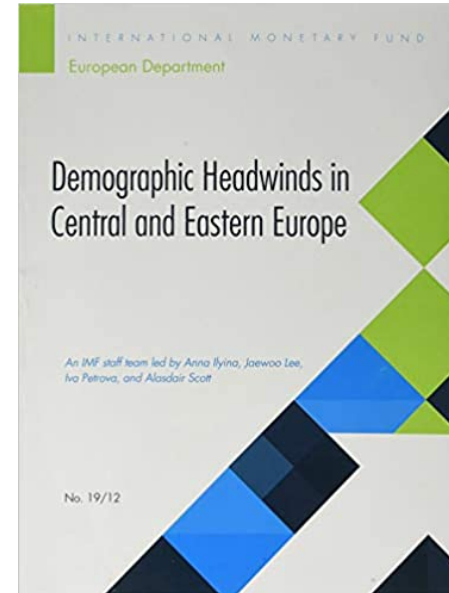
Moldova lost 33% of population  
Albania lost 1.64mn vs 2.8mn living in the  
country

**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**

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

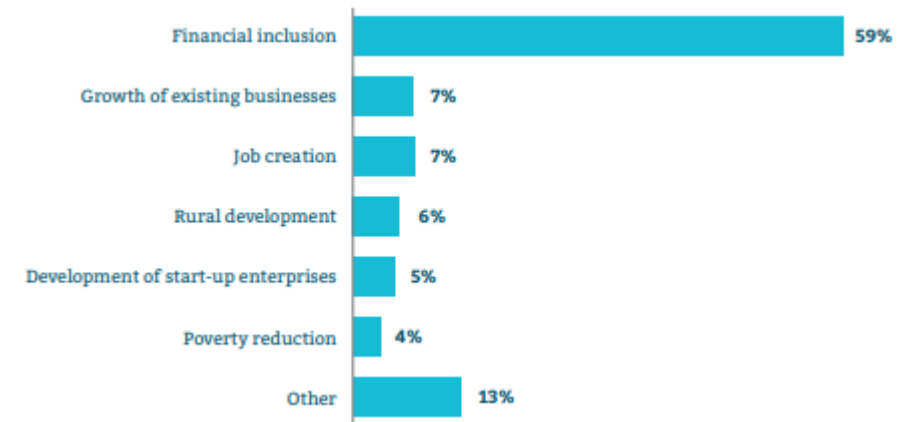
- **Lowers the barrier to entry for entrepreneurs**
- **Complementary to welfare systems**
- **High level of attention to clients specificity**
- **Promotes entrepreneurial best practices**

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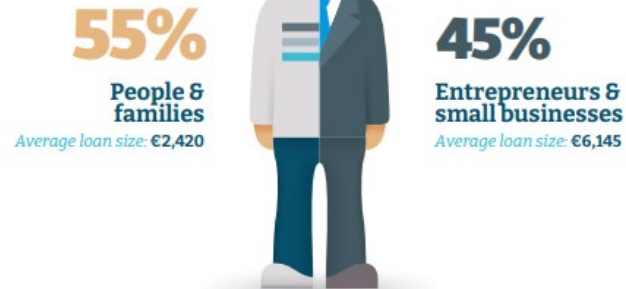
MFI primary objectives in 2020 Overview Survey:



# Microlending Activity

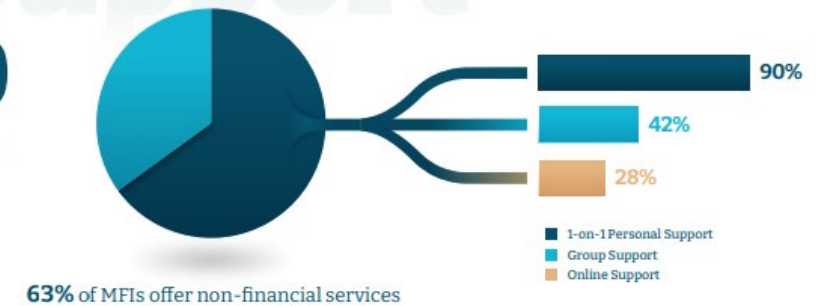
**1.26**  
MILLION  
ACTIVE BORROWERS  
*+14% since 2018*

**3.70**  
BILLION  
GROSS MICROLOAN  
PORTFOLIO OUTSTANDING  
*+14% since 2018*



# Non-financial Support

**292,000**  
BENEFICIARIES  
*+29% since 2018*



Microfinance in  
Europe: Survey Report  
2020 edition  
Jouko Pyhälä



Microcredit  
regulation in  
Europe: An  
overview



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  
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Market analysis and  
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**EUR 12.9bn market  
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## Social Return on Investment

1€ invested in an MFI generates 2-4€ of return to the public budget.



## 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

### Summary

Microfinance institutions are in a key position to help mitigate the effects of human capital flight that manifests between East and West Europe. We want to propose public-private partnership initiatives that would combine the social mission of microfinance with the solidarity mechanisms within Europe, to renew investment in local entrepreneurship and innovation.

### Understanding the Problem

Many talented young citizens, skilled workers or professionals in Eastern Europe and the Balkans are seeking a brighter economic future in Western Europe. Even in the cases where they are educated, own a small business or have an established professional reputation, many choose to seek employment abroad.

While on one side this is a testament to the richness that intra-European exchange allows, and the benefits of such population flows are also well-documented, it also has a dark side that must be addressed:

- The flight of working-age people **leaves the economic fabric of society weaker**. High-talent individuals that would otherwise have contributed to the local economy are gone, which is not only a missed opportunity, it also weakens the remaining local actors who have a poorer ecosystem to work within, and a less developed infrastructure.
- The migration of highly educated and skilled workers **leaves essential functions unfilled** in the home country. A lack of local career paths for highly educated workers leads to a perception that there is no meritocracy, and that the solution must be found elsewhere.
- **Education and local knowledge is eroded**, leading to a negative spiral, further reducing the future prospects of those in the country and feeding the idea of emigration as a necessary step to improving one's life. Young people are less likely to contribute to the economy of their home countries, leading to less innovation.

According to the [Global Competitiveness Index](#), many eastern and southern EU Member States are currently among the world's countries least able to retain their talent.

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<sup>1</sup>. The IMF similarly published a study entitled "Demographic Headwinds in Central and Eastern Europe"<sup>2</sup> which maps the economic pressures related to the demographic shifts in these countries.

Covid-19 has also brought to light more imbalances: with mass returns home, unemployment and social tensions suddenly manifest, including crime. Populist and Eurosceptic movements can build upon the narrative that such demographic imbalances are hurting their national economies, which undermines the general trust in the European Union.

<sup>1</sup> <https://cor.europa.eu/en/our-work/Pages/OpinionTimeline.aspx?opid=CDR-4645-2019>

<sup>2</sup> <https://www.imf.org/~/media/Files/Publications/CP/2019/English/CP1904CAEEEA.aspx>

*Policy Note on Mitigating Human Capital Flight (2021)*



## EaSI Technical Assistance

# 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%)



***#ReinventingMicrofinance** is the current company slogan. It is a mean to incentivize NOA's staff towards constantly seeking new approaches into promoting microfinance values and objectives. Picture from NOA HQ in Tirana.*

# 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.



Genta, the first women ‘wood-boat’ constructor in Albania, decided to return from Spain and keep investing in her dream and start-up.

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.





## Awareness raising campaign: “Choose Albania” (1<sup>st</sup> phase)

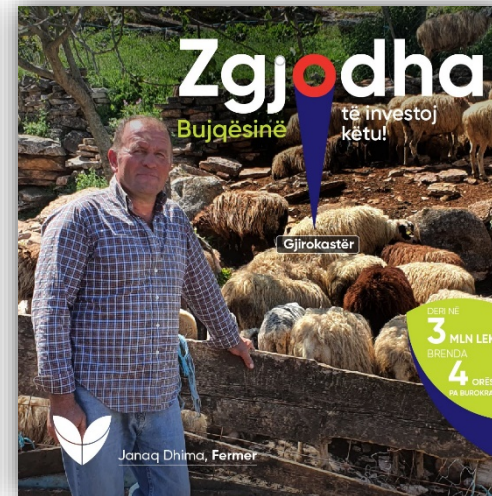
- First slogan, call to action : “Choose Albania, choose to invest here”
- Promotion of why an entrepreneur should invest in the country
- Advisory towards clients not to “give up”
- Print, social media & TV advertising





## Awareness raising campaign: “I chose Albania” (2<sup>nd</sup> phase)

- Second slogan, real examples : “I Chose Albania, I chose to invest here”
- Promotion of individual’ 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” (3<sup>rd</sup> 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

# EaSI\* Technical Assistance

**For more information, about:**

Technical Assistance, contact:  
**[easi.ta@fs.de](mailto:easi.ta@fs.de)**

Ratings and Evaluations, contact:  
**[easi.ta@mf-rating.com](mailto:easi.ta@mf-rating.com)**

\*EU Programme for Employment and Social Innovation

*The author of this presentation takes full responsibility for its contents. The opinions expressed do not necessarily reflect the view of the European Commission.*