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EMN POLICY NOTE on Microfinance and Social Entrepreneurship



EUROPEAN
MICROFINANCE
NETWORK



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Introduction

On 16th & 17th January 2014, social entrepreneurs, decision-makers academics and representatives from EMN met at the conference “Social entrepreneurs: Have your say!” in Strasbourg to express their views on social entrepreneurship. The event was meant to be the closure of the Social Business Initiative launched two years ago.

The conference was a big opportunity to exchange ideas and knowledge about the social entrepreneurship definition and its role in the development of the economy. As a consequence of this exchange of views, two key messages emerged from the event:

«
Not any business that is more responsible and more social can be considered as a **social business**
»

- Economy as a whole has to become more social and responsible and the EU needs to strengthen its social dimension
- Social entrepreneurship is key to steering the whole economy in this direction and has proved to be more resilient to the crisis than ordinary businesses.

The three key broad criteria laid down by the Commission in its Social Business Initiative (SBI) have to be fulfilled by an entity to be considered a social enterprise:

- having a social objective,
- primarily reinvesting profits in the activities of the enterprise, and
- democratic or participatory governance.

It is important to avoid a simplified definition by which any business that is more responsible and more social can be considered as a “social business”.

The Strasbourg conference was concluded with the “**Strasbourg Declaration**” :



[Click here](#) to get the Strasbourg Declaration in PDF format

a final declaration summarising the outcomes of the discussions and representing the views of the various stakeholders. This Declaration is open to be signed. Its main message is that social entrepreneurship has to stay on the EU agenda in the next period. EMN and its members will analyse it and consider if we can support it.

EMN Position

The relevancy of Social Entrepreneurship within our economy has been endorsed by the European Commission through its inclusion EaSI Program, approved on the second part of 2013.

EMN welcomes the Microfinance and Social Entrepreneurship axis proposed in this program. In our view the Microfinance Axis in particular contributes to the creation of a sustainable microfinance sector as it makes funding available in a sustainable manner for new entrepreneurs from vulnerable groups, microenterprises. We also support the focus on Social Entrepreneurship since it reflects the need to promote new, social entrepreneurship in Europe.

The proposed instruments address the need to build up the institutional capacity of Microfinance providers and constitute a sustainable source of funding for Microfinance Providers and Social Enterprises in Europe during the 2014-2020 period.

The comprehensive support to the Microfinance sector responds to a long-standing wish of EMN and welcome the intention to create for the first time a “one-stop shop” for Microcredit providers in Europe, providing financing for microcredit, capacity building and technical assistance.

Also, the “one-stop shop” concept and the central management of this axis by the European Union would allow facilitating the accessibility to the different programmes and would increase the synergies with other initiatives financed by the European Social Fund, and which will improve the impact on employment creation of this Microfinance and Social Entrepreneurship axis.

EMN also welcomes the inclusion of Social Entrepreneurship in this axis, for it represents a new vector for Employment creation in Europe and an alternative approach to address social issues in Europe through Entrepreneurship.


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COMPLEMENTARITIES BETWEEN MICROFINANCE AND SOCIAL ENTERPRISES

Microfinance and Social Entrepreneurship present important complementarities. Many Microfinance providers in Europe can be considered in fact good examples of Social Enterprises. As socially-oriented sustainable institutions, Microfinance providers have been working for years on creating employment and fighting for social inclusion in Europe through the support and finance of new entrepreneurs.

Most Social Enterprises and Microfinance providers are (or were set up as) NGOs. This nature of the MF providers per se, or also due to the regulatory environment, makes them to be committed to some of the principles defined for Social Enterprises, like the allocation of benefits or the transparency and communication to his shareholders.

« Microfinance and Social Entrepreneurship present important complementarities. Microfinance providers can often be therefore presented as role models for future Social Enterprises »

Microfinance providers can often be therefore presented as role models for future Social Enterprises that in turn can benefit from their experience and expertise.

In addition, Microfinance providers in Europe have been financing the development of entrepreneurs for years, some of whom can become the new Social Entrepreneurs.

Nevertheless, the role of Microfinance providers in financing Social Enterprises can have clear limits. Microfinance providers are indeed equipped to support and finance individual people and microenterprises being excluded from formal banking services but have less capacity to reach out to larger enterprises, even if these are considered Social Enterprises or NGOs supporting them.

« The role of Microfinance providers in financing Social Enterprises can have clear limits »



EUROPEAN
MICROFINANCE
NETWORK

European Microfinance Network aisbl
4 rue de l'industrie - 1000 Brussels, Belgium
Tel: +32 (0)2 893 24 48
emn@european-microfinance.org
www.european-microfinance.org

