



To: Commissioner Nicolas Schmit

Cc: Joost Korte, Director General DG EMPL, Ann Branch, Head of Unit E1 DG EMPL, Per-Erik Eriksson, Director of Financial Inclusion, EIF

Subject: More resources needed to strengthen EaSI programme

Dear Commissioner Schmit,

We received the news of the EU response to COVID-19 very positively, with clear positive action for employment (through SURE) and SMEs (through COSME). Thank you for your role in this so far.

As you know, the microfinance sector serves entrepreneurs across Europe, who are now collectively facing unsustainable economic pressure. The EaSI programme supporting the sector exists to help protect these clients who are at risk of being socially and financially excluded. Due to the crisis, they risks and consequences of exclusion have worsened drastically, meaning the EaSI programme's role becomes doubly important.

It is for this reason that we ask to increase the budget available for the EaSI programme by EUR 200 million.

First, to give the EaSI programme the immediate capacity to better support these vulnerable entrepreneurs and to build on what we understand has been implemented for COSME, we request the following urgent measures:

- Existing EaSI contracts that still have availability left and still have further loans to be included should be unilaterally amended to reflect a guarantee rate of 90% and a cap rate increased by at least 50%.
- All new EaSI contracts to be signed should reflect the new parameters.

Together, **we estimate that these new parameters will require around EUR 100 million** to be made available (an increase of some 25% of what we understand has been set aside so far). We call upon the European Commission to take steps to make this possible urgently, as it will ensure that MFIs survive and allow financial and social exclusion not to be aggravated by the current crisis.

The new aid to the COSME programme extends to new loans only. However, in the microfinance sector it is the existing loans that are most at risk, with entrepreneurs defaulting

in the immediate future on loans that have previously been made. For this reason it is important that supportive measures for EaSI are made **for existing loans as well as future loans**.

Beyond these urgent buffering measures, the overall mission of the EaSI programme will remain crucial in the aftermath of the COVID-19 crisis. People will need as many tools as possible to reconstruct their economic activity. **For this reason, we further recommend an overall budget increase of the EaSI programme by EUR 100 million**. This encompasses more support to the EaSI guarantees, but also to the EaSI capacity building and funded instrument, as well as heightened EaSI Technical Assistance support.

Together with the aforementioned measures, this would amount to an estimated EUR 200 million.

Other than this, there are two separate issues we would like to raise:

- MFIs challenged by the crisis should be permitted to use liquidity from the EaSI Capacity Building to cover immediate liquidity needs, when proven that this liquidity need is justified to continue MFI activities. Overall there is an important need to ensure more liquidity in the refinancing of MFIs and Social Economy enterprises, and more options needed to strengthen their equity base, as lack of equity is likely to become a more mid-term problem.
- We would also like to request that the European Commission explicitly determines that MFIs can qualify as social enterprises, and as such can be the beneficiaries of loans covered by EaSI guarantees for Social Enterprises. In these cases, the Final Recipient Transaction Eligibility Criteria should allow that transactions covered by the guarantee could include investment loans to the portfolio of social MFIs. There is currently a lack of clarity on this, and MFIs are excluded from this important source of finance that can be crucial in the coming months.

These are only immediate requirements to keep the system alive. We are also working on a set of proposed measures to put in place after the current health crisis will be under control but when the social recovery will require strong support in the medium term.

Thank you again for your work done so far, and we are at your service to discuss further.

Sincerely yours,



Elwin Groenevelt
President
European Microfinance Network



Lucia Lucija Popovska
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