



Innovation Policies for Inclusiveness – Policy Cases

European Progress Microfinance Facility Programme

Country: Lithuania

1. Short Description

The **European Progress Microfinance Facility programme** is a microfinance initiative, launched and managed by the European Investment Fund (EIF), and funded by the European Commission and the European Investment Bank. In 2011, the EIF and the Lithuanian bank Šiaulių bankas signed a EUR 5 million loan agreement under the programme aimed at supporting micro-entrepreneurs (including the self-employed) in Lithuania. The programme aims to **address the barriers faced by micro-entrepreneurs in accessing financial services in Lithuania. It targets self-employed women** or micro-enterprises and SMEs that are either owned by women or employ a majority of women.

This policy profile is part of a [policy toolkit on innovation policies for inclusiveness](#). It is relevant for social inclusiveness.

2. Policy Characteristics

Basic Information

Country and implementing institution(s):	Timeline:
Country: Lithuania Institution: Šiaulių bankas	2011
Target group	Size and budget:
Groups: Women entrepreneurs (self-employed women or micro-enterprises and SMEs either owned by women or employing a majority of women)	Budget: EUR 5 million (approx. USD 6.56 million); loans up to EUR 25 000 (approx. USD 32 800) Beneficiaries: 125 recipients, 130 microcredits
Type of policy instrument(s)	Inclusiveness focus
Financial support: loans Non-financial support: advice	Social inclusiveness

Policy objectives

The European Progress Microfinance Facility is a microfinance initiative, launched and managed by European Investment Fund (EIF) during its 2007-2013 programming period, and funded by the European Commission and the European Investment Bank. In 2011, the EIF and Šiaulių



bankas signed a EUR 5 million loan agreement under the programme, aimed at supporting micro-entrepreneurs (including the self-employed) in Lithuania.

The conditions for microloans to entrepreneurs, which include amount, duration, interest rates, fees and timeframe to obtain a loan, depend on the particular microcredit provider. The specific aim of the programme is to foster women's entrepreneurship by facilitating their access to finance (e.g. by applying a lower interest rate of 6% for companies owned by women, compared to 7% for other companies).

Rationale

Access to financial services is particularly low in Lithuania among female entrepreneurs.

Policy target recipient and selection mechanism

The programme targets micro-enterprises, however the Lithuanian bank Šiaulių bankas focuses in particular on self-employed women or micro-enterprises and SMEs either owned by women or employing a majority of women.

The EIF selected *Šiaulių bankas* based on the following criteria:

- financial standing and financial capacity;
- operational capability;
- ability to provide the EIF with the necessary data to assess *the* bank's track record and future activity;
- ability to finance or support final recipients within a pre-defined timeframe (absorption capacity);
- expected impact (e.g. volume of new financing generated, number of final recipients, geographical reach, etc.);
- ability to provide specific reporting requirements.

Until 2013, 67% of the loans were granted to women (self-employed women or micro-enterprises and SMEs either owned by women or employing a majority of women).

Policy instrument(s)

Micro-loans: The maximum amount of the micro-loan is EUR 25 000 (USD 32 800), with the repayment period varying between one and five years. Favourable conditions on credit provision (i.e. provision within one to two business days) are possible for companies with less than ten employees after the submission of the necessary documents. No fees are applied to provision of loans. Clients are given the opportunity to defer the beginning of credit repayment for up to 12 months.



Policy challenges

- Šiaulių bankas encountered difficulties absorbing the funding due to lack of demand and expensive rates on products. Only EUR 1.91 million out of EUR 5 million (USD 2.5 million out of USD 6.56 million) was committed.
- Šiaulių bankas considered the EUR 25 000 (USD 32 800) threshold too small for the purposes of starting a micro-business, and recommended that the maximum amount permitted be increased.

Actions undertaken to address challenges

The EIF monitors each financial intermediary and modified the programme for the 2014-2020 programming period based on previous experiences.

Evaluation and outcomes of the scheme

EIF evaluated the overall Progress Microfinance programme in 2013 and came to the following conclusions:

- The Progress Microfinance programme increased access to finance for micro-enterprises.
- The programme had a positive impact on financial intermediaries both in terms of the volume of micro-lending they were able to disburse and their access to other sources of financing for the same purposes.
- The programme helped unemployed people start their own businesses.
- Half of the micro-enterprises benefitting from a microloan under the programme experienced an increase in turnover, and 40% saw an increase in income.
- Only 13% of beneficiaries under the Progress Microfinance programme hired an employee as a result of the loan.
- Only 4% of beneficiaries under the Progress Microfinance programme reported that their business was no longer functioning.
- Synergy between the European Social Fund and the Progress Microfinance programme is insufficient (e.g. regarding ESF interventions aimed at promoting access to employment).

Šiaulių bankas evaluates the financial statements of each project on a quarterly basis to ascertain whether the beneficiaries have managed to increase their turnover and/or employee numbers.

Sources

European Commission (n.d.), "Progress Microfinance", European Commission, Brussels, <http://ec.europa.eu/social/main.jsp?langId=en&catId=836> (accessed 16 June 2016).



European Commission (2014), “Interim Evaluation of the European Progress Microfinance Facility”, European Commission, Brussels, <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7760> (accessed 25 July 2016).

European Commission (2011), “EU to provide micro-loans to women entrepreneurs in Lithuania”, <http://ec.europa.eu/social/main.jsp?langId=en&catId=836&newsId=1049&furtherNews=yes>, European Commission, Brussels (accessed 16 June 2016).

European Investment Fund (2016), “Micro-credit providers under Progress Microfinance”, European Investment Fund, Luxembourg, [www.eif.org/what we do/microfinance/progress/Progress intermediaries.htm](http://www.eif.org/what_we_do/microfinance/progress/Progress_intermediaries.htm) (accessed 16 June 2016).

Siauliu Bankas (2011), “Šiaulių bankas is providing micro-credits to the ones wishing to start or expand their own small business”, Siauliu Bankas, Šiauliai. Lithuania, www.sb.lt/en/news/siauliu-bankas-is-providing-micro-credits-to-the-ones-wishing-to-start-or-expand-their-own-small-business/ (accessed 16 June 2016).

Background

*This document is part of a repository of examples of **innovation policies that have for explicit aim to contribute to territorial, industrial and social inclusiveness**. The repository is part of an innovation policy toolkit developed for the **Innovation for Inclusive Growth** project and gathers national innovation policy programmes that:*

- A.** Explicitly target **lagging and less innovative regions** (outside of regions that are highly innovative) or by design are more likely to support these lagging / less innovative regions.*
- B.** Explicitly aim to include in innovation activities **individuals and groups that are not usually participating** in those activities and in support of broadening the group of innovators.*
- C.** Explicitly aim to foster innovation activities in non-innovative firms, in particular by targeting **non-innovative sectors and non-innovative Small and Medium-sized Enterprises (SMEs)**.*

Policies are searchable by inclusiveness type, objective and implementation challenge on:
<https://innovationpolicyplatform.org/inclusivetoolkit>