

MICROFINANCE IN THE OVERSEAS TERRITORIES

Within a context of economic and social crisis hitting the Overseas Territories harder and longer than mainland France, all avenues for creating activity and playing a role in social cohesion must be exploited.

In this regard, microfinance, which includes microcredit, micro-insurance, social finance and participatory finance can bring about the economic and social inclusion of individuals excluded from banking services and in particular, lending. At the practical level, inclusion means coming off the unemployment register,

making more than the minimum social contributions and creating a job by financing an activity in the commercial, services or agricultural sector.

In this opinion, the ESEC makes a number of recommendations to bring about a change of scale for microfinance to allow it to contribute fully to the definition of a new sustainable development model for the Overseas Territories. Budgetary choices favouring microfinance must be made in terms of creating an economic dynamic, preventing social costs and repairing the social fabric.



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The ESEC recommendations are centred around 7 key targets.

IMPROVE THE STATISTICAL UNDERSTANDING OF MICROLENDING AND EVALUATE ITS ROLE IN THE OVERSEAS TERRITORIES

👉 To this end, the ESEC recommends:

- that the statistical monitoring of microfinance conducted by the *Banque de France* be extended going forward to all overseas territories jointly in coordination with the IEDOM (French Overseas Departments Note-issuing Bank) and the IEOM (French Overseas Note-issuing Bank);
- that the activity report of the Social Cohesion Fund be more instructive in its statistical coverage and more thorough for the Overseas Territories.

ANALYSE THE DIFFICULTIES ENCOUNTERED IN MAKING USE OF BANKING PRACTICES, FACILITATE ACCESS TO BANK LENDING AND ENSURE IMPROVED LINK-UP WITH MICROLENDING IN THE OVERSEAS TERRITORIES

👉 To this end, the ESEC recommends:

- gaining a better understanding of the difficulties encountered in making use of banking practices by the lowest-income Overseas citizens;
- better informing the lowest-income Overseas citizens regarding their banking rights;
- ensuring that France's Banking Inclusion Observatory (*Observatoire de l'inclusion bancaire*) focuses specifically on the Overseas Territories;
- that existing consultative bodies, made up of representatives of banking institutions undertake, by means of new provisions, to bring about a significant change to banking practices in the Overseas Territories;
- that the microcredit offered by banks in mainland France also be offered in the Overseas Territories where they have a presence;
- that the BPI business creation loan be used alongside tools set in place by microfinance institutions in the overseas territories;
- that the leveraging effect of bank loans granted alongside a vocational microloan be increased;

- the setting in place of an incentivising mechanism for banks agreeing to refinance microfinance institutions;
- that project leaders be made more aware of credit mediation services provided by IEDOM and/or IEOM;
- that the French Business Financing Observatory broaden its membership to include the IEDOM and IEOM.

PLACE MICROCREDIT IN THE SERVICE OF SUSTAINABLE DEVELOPMENT IN THE OVERSEAS TERRITORIES

👉 To this end, the ESEC recommends:

- that the French Development Agency (AFD) should allocate the financial resource to microfinance actors for their successful deployment in the Overseas Territories;
- that specific communication initiatives be directed at potential microcredit beneficiaries in the Overseas Territories;
- that NACRE (*Nouvel accompagnement pour la création ou la reprise d'entreprise*) should be stepped up to be able to play a role on a far wider scale alongside vocational microcredit;
- that the financial resources to support beneficiaries of microcredit in the Overseas Territories be increased;
- that the content of the support provided to project leaders in the Overseas Territories be stepped up;
- that support be systematically provided alongside the subsidy granted to creators of businesses in the Overseas Territories;
- that financial education and learning to use banking tools and administrative procedures systematically form part of the support provided to beneficiaries in the Overseas Territories and that training be monitored by support providers;
- that personal microcredit should carry more weight in the Overseas Territories and that the amounts authorised and the repayment schedules be increased;
- that the guarantee provided by the Social Cohesion Fund also include personal microloans granted for housing-related work, including work to improve energy efficiency;
- that the status of employee-entrepreneur be more widely known about and that the financing and development of Business and Employment Co-operatives (BEC) be studied and improved upon in the Overseas Territories in order to finance new business sectors;
- that the upper limit for vocational microloans be increased to €15,000;
- that vocational microloans be allocated to businesses in the Overseas Territories for longer than the first five years after start-up or take-over to encourage their development.

BE A PART OF THE EU MICROCREDIT DYNAMIC

👉 To this end, the ESEC recommends:

- Making microfinance one of the topics of a future EU-OMR Forum or upcoming EU-OCT Forum;
- for the Overseas Territories, the creation of a pre-financing fund for the EU funding granted to microfinance institutions.

BOOST MICROFINANCE TO FOSTER REGIONAL COOPERATION

👉 To this end, the ESEC recommends:

- that the French Development Agency (AFD) coordinate its microfinance activities in the countries and territories of the Overseas regional area with microfinance actors in the Overseas Territories;
- that the AFD should organise a conference on the development of microfinance for economic activity in each Overseas regional area;
- that banks and insurers providing microfinance in countries within the Overseas regional area also develop this activity in the Overseas Territories.

ESTABLISH MICROINSURANCE IN THE OVERSEAS TERRITORIES

👉 To this end, the ESEC recommends:

- establishing microinsurance offers in the Overseas Territories;
- that beneficiaries of a vocational microloan be informed of the need to have insurance tailored to suit their business.

BOOST SOCIAL AND PARTICIPATORY FINANCE FOR THE OVERSEAS TERRITORIES

👉 To this end, the ESEC recommends:

- that the Overseas Territories, in their diversity, fully embrace a social finance approach based on an improved understanding of social saving and the benefits of charity-linked products and social financing coming from or going to their territories;
- boost participatory financing by giving visibility to projects in the Overseas Territories and providing peace of mind for financiers and beneficiaries through the awarding of a badge.