



ASSOCIATION POUR LE DROIT
A L'INITIATIVE ECONOMIQUE

Targets and beneficiaries of the
European Initiative for the Development
of Microcredit in support of Growth and
Employment

Conference on a new generation of
instruments in European Regional
Policy

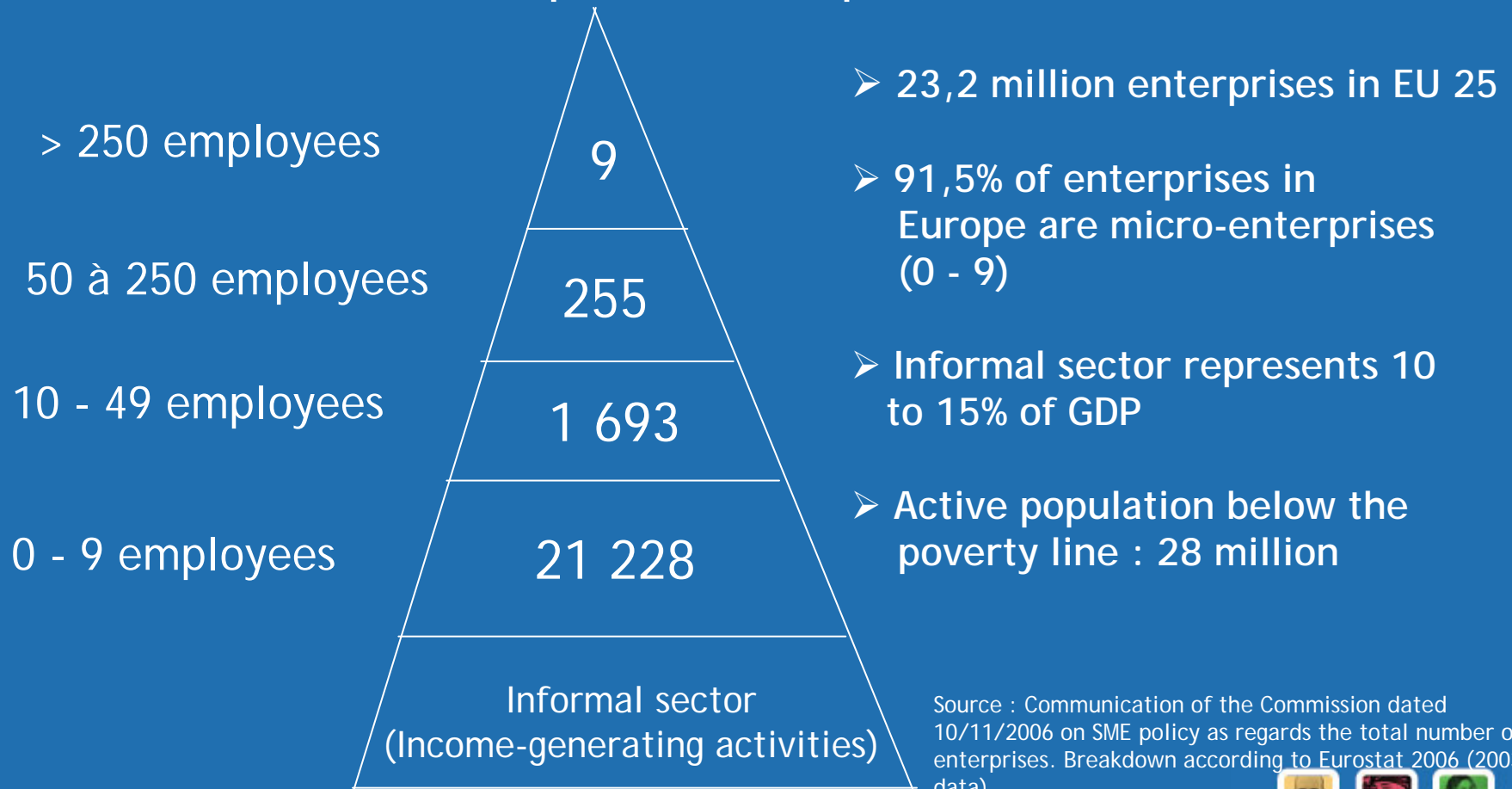
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Bratislava October 15-16, 2008

Why develop microcredit in Europe ?

Microenterprises and self-employment represent a major part of the European economy

Number of enterprises in Europe (in thousands)



Source : Communication of the Commission dated 10/11/2006 on SME policy as regards the total number of enterprises. Breakdown according to Eurostat 2006 (2003 data)



Why develop microcredit in Europe? (2)

- For industrial countries, self-employment and microenterprises are not relics of the past but a type of labour organisation well adapted to the post industrial economy based on :
 - the development of services
 - new technologies
- They are an instrument of a more active inclusion policy
- They are an instrument of local development, without risk of delocalisation

Development of self-employment and microenterprises have a triple impact on growth by :

- reducing the cost total of unemployment
- creating wealth
- increasing individual incomes and consumption

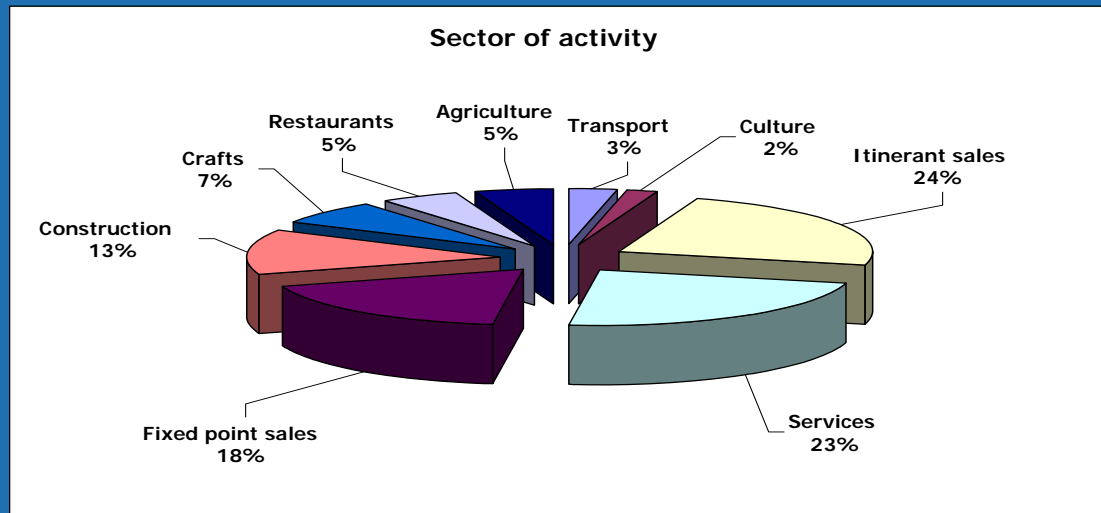
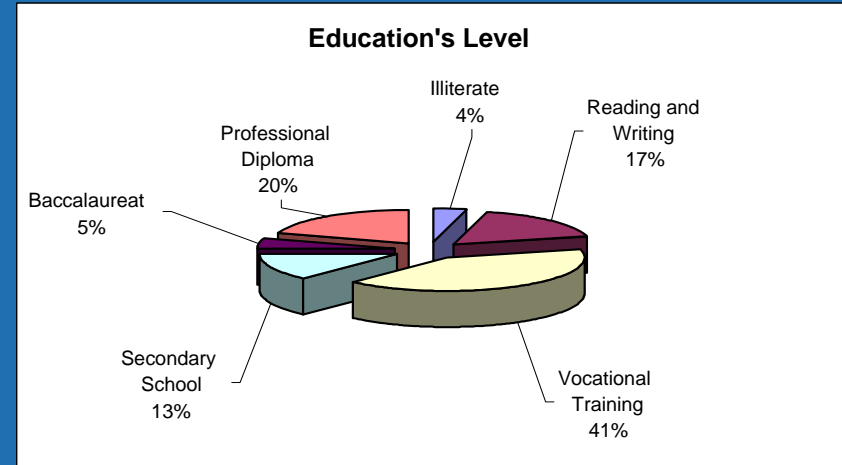
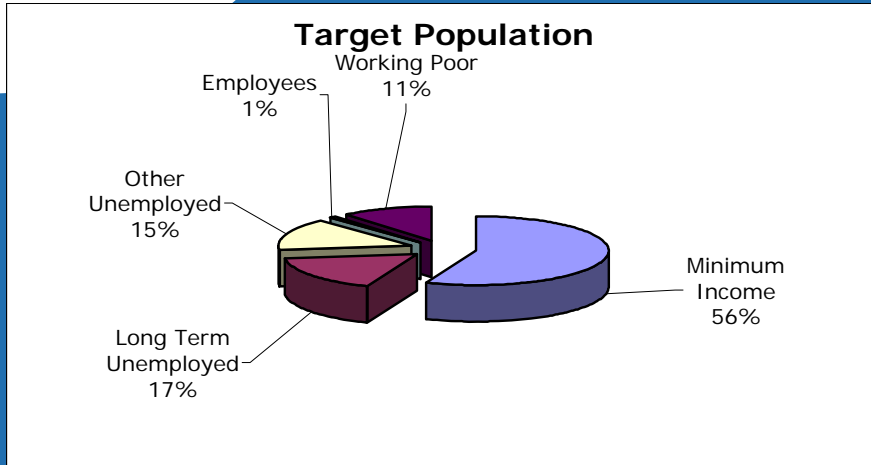
They have an impact on regional integration

Two segments of clientele :

- existing microenterprises which are underserved by the banking sector
- population under the poverty line carrying on income generating activities, often in the informal sector, without access to banks
- and especially vulnerable groups such as youth, women, immigrants, ethnic minorities, etc

Who are the final beneficiaries ? (2)

Example of Adie France, a non bank microfinance institution with 20 000 active clients



Who are the final beneficiaries ? (3)

Three examples :

Muhammad : street vendor

- buys his merchandise in Turkey and Portugal
- a first loan of 1000 euros
- then another one of 1500 euros and 2000 euros



Sophie : hair dresser

- works as visiting hair dresser at client's house



Julie : pizza shop



Aziz : transport in collective taxis in a poor urban area

André : computer training and maintenance for private persons

- started with a loan of 4 000 euros
- has created 300 jobs





Are they credit worthy ?

- The loss rate of Adie is less than 3%
- The survival rate of microenterprises created is 62% after 2 years
- 80 % of the clients leave the welfare system





How reach these type of clients ?(1)

The banks cannot reach this type of clients because :

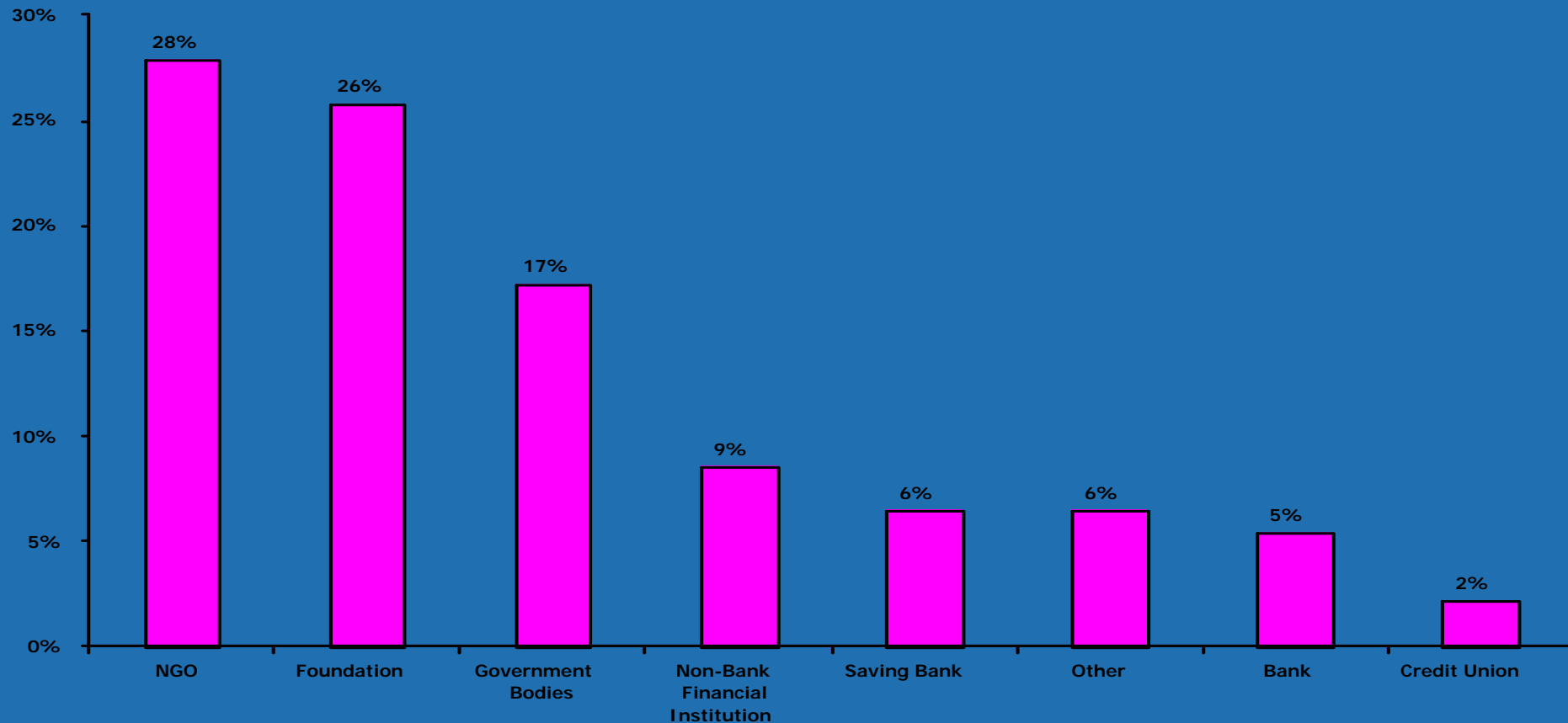
- their loans are collateral based
- the operational costs of microcredit are high

In France, they provide lines of credit to Adie which serves this segment of clientele by granting loans (> 6000 euros) and providing business development services : training, business advice, hot line, coaching etc)

BDS are financed by public and private sector

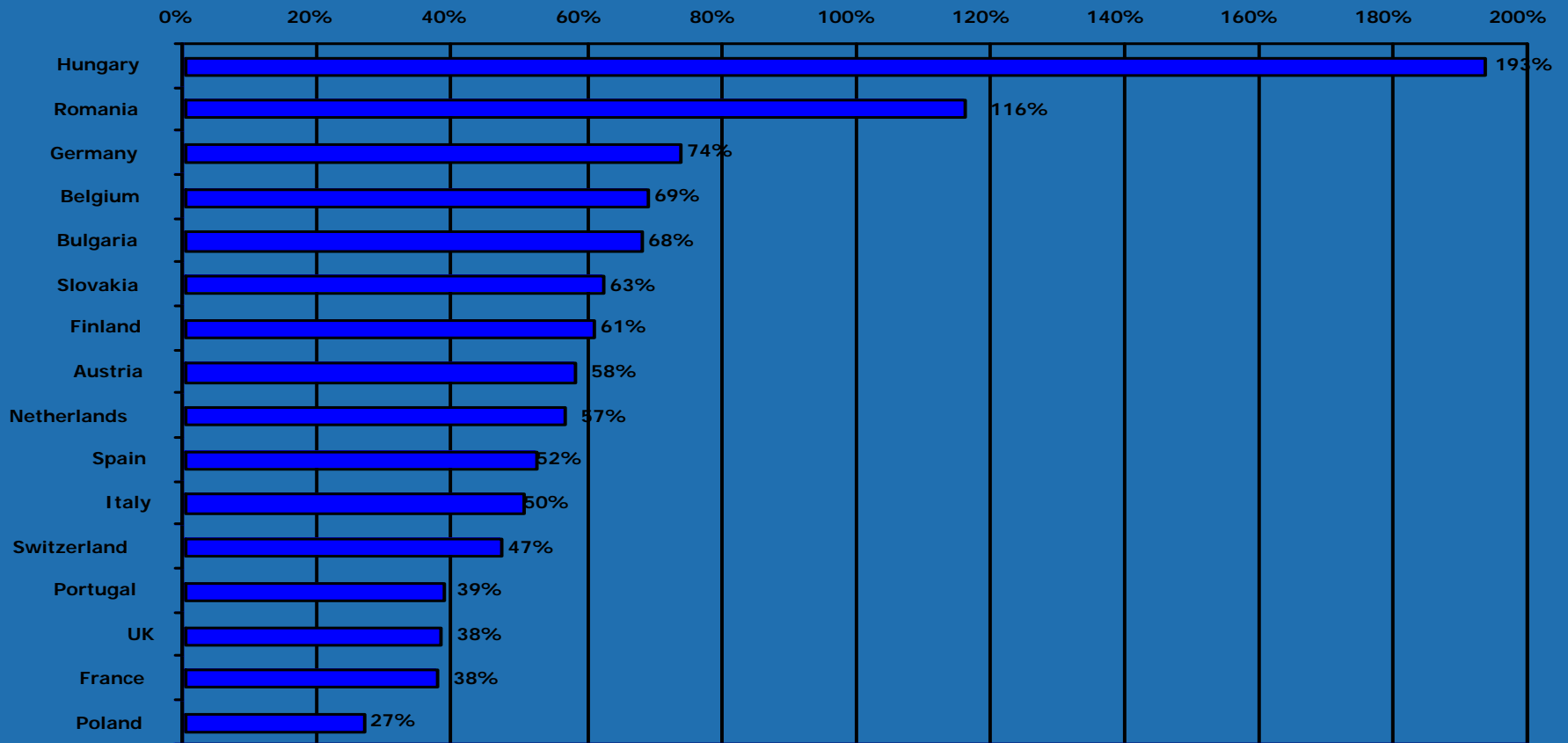


What type of IMFs exist in Europe?

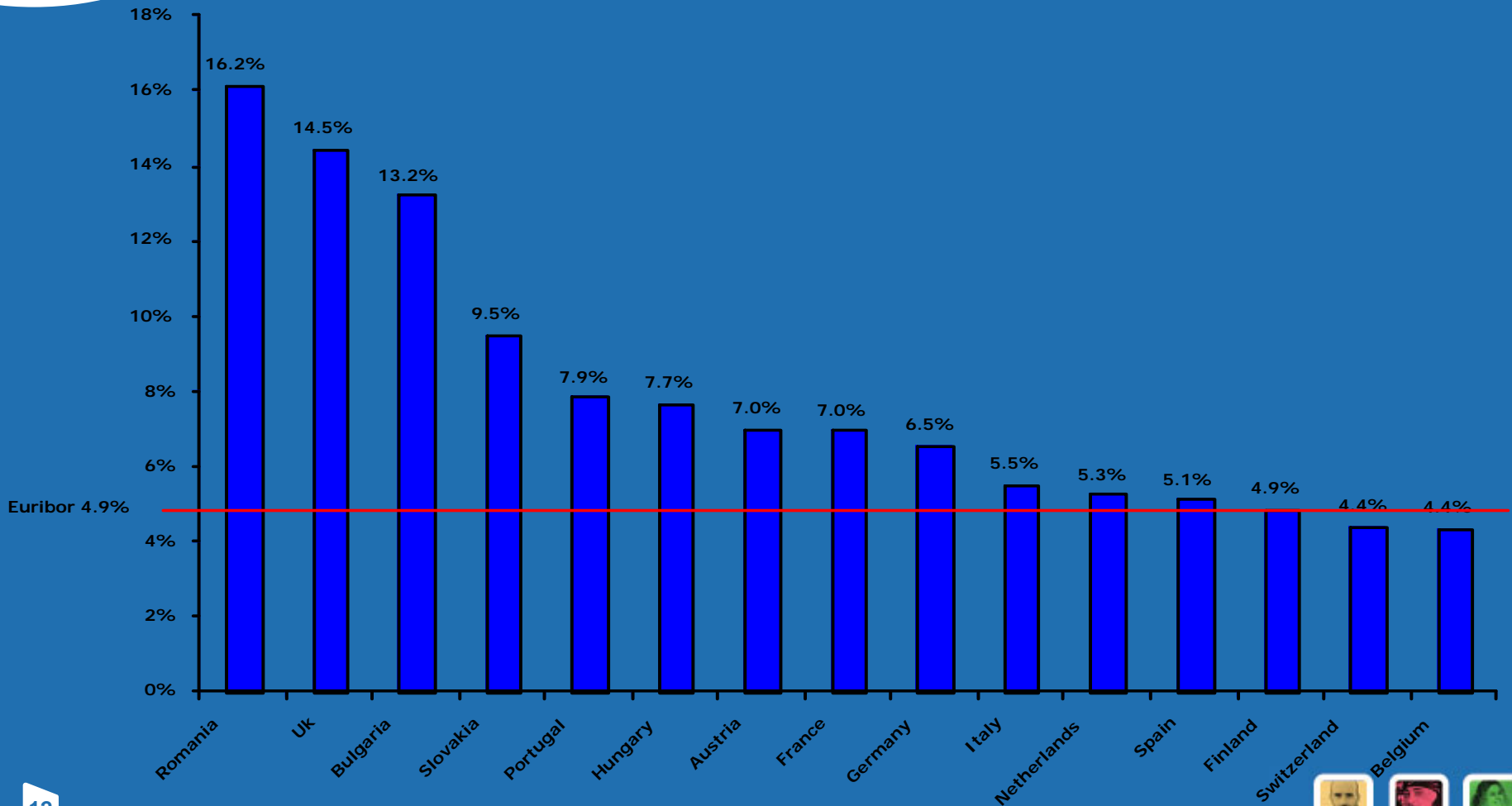


What is the depth of outreach in different countries?

Average Loan Size as a Percentage of GN I Per Capita



What are the rates of interest in different countries ?



The MF which responded to the survey carried out by EMN are :

- Integra Foundation
- Voka Slovakia

- Their activity can probably be extended

- Other programs can be implemented covering income generating activities of small farmers, rural and urban self-employed and ethnic minorities

What are the legal prerequisites of development of a microcredit sector?

1. Improve the microcredit framework by :

- authorizing foundations and associations to borrow and on-lend
- creating a legal framework for credit unions
- setting up tax incentives (they exist for "protected workplace" created by companies which employ members of disadvantaged groups).

2. Bridge the gap between welfare and self employment

- by providing an income support during the transition for unemployed or welfare recipients who set up a business .
- by allowing return to unemployment benefits or welfare in case of failure before a period of 2 years,



How to support the development of a sustainable Microfinance institution ?

1. Finance the overcosts of microcredit and business development services with the support of structural funds
2. Apply (beginning of 2009) for technical assistance of JASMINE
3. Set up a partnership with a bank and apply (beginning of 2009) for an EIB funding allowing the take off of the MFI on the basis of best practices

