



EUROPEAN MICROFINANCE
network

EUROPEAN MICROCREDIT CONFERENCE

Training sessions and workshops

22 September 2004

10:00 to 13:00

Workshop 1:

**What is wrong with EU
environment ?**



Outline

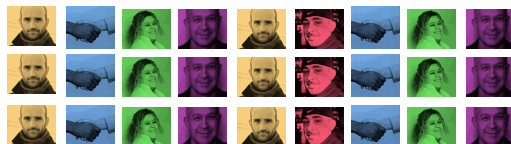
I. Legal and Regulatory Environment in France

II. Funding of microfinance institutions

III. Strategy for a change

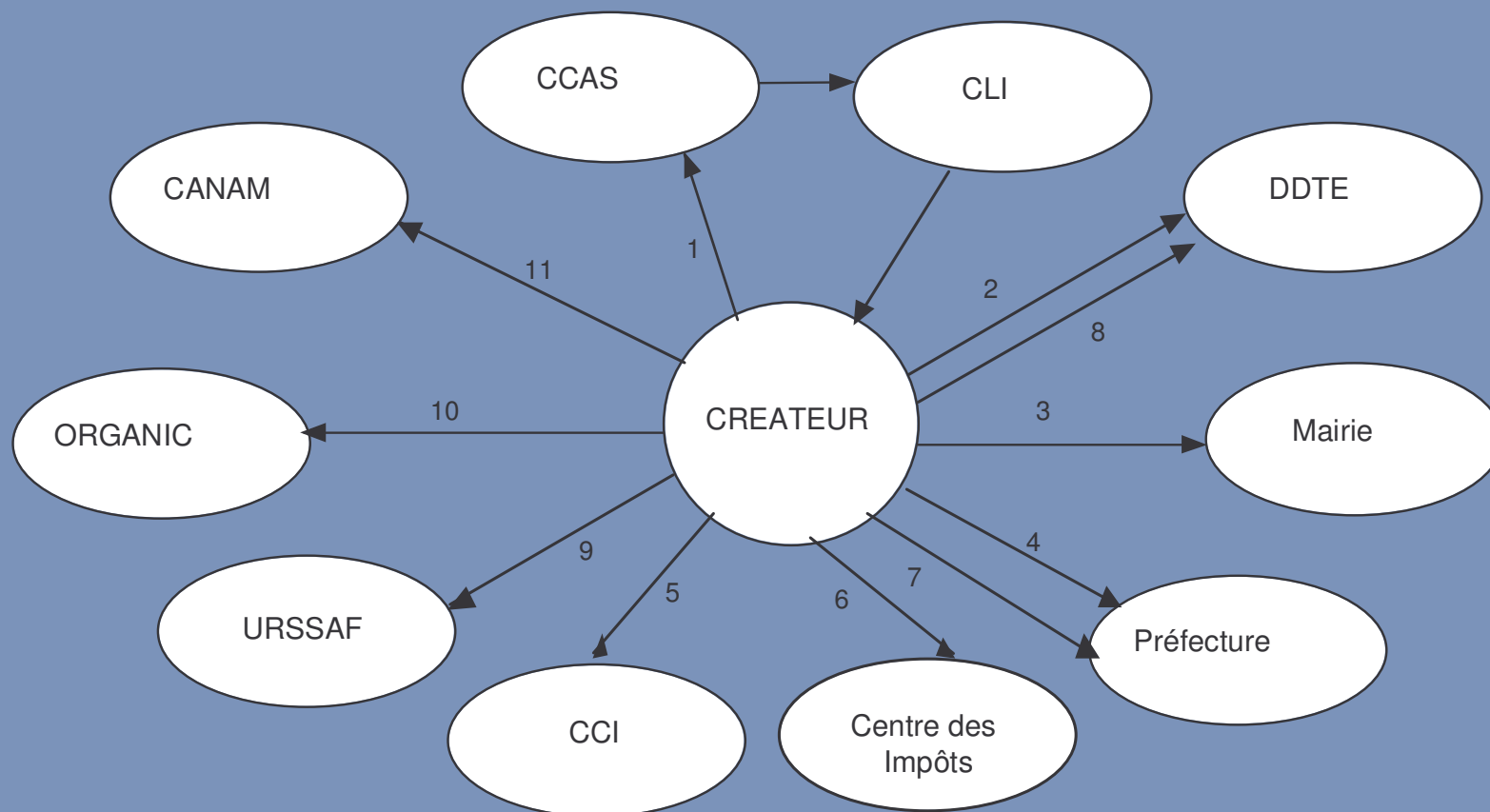


I. Legal and regulatory environment in France

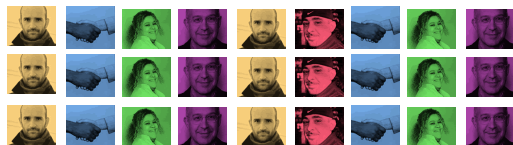


Legal and regulatory environment in France

I. Complexity of the institutional environment:



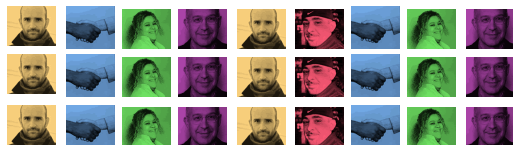
Need of business support and advice for clients



Legal and regulatory environment in France

II. Heavy Social Insurance Contributions starting from year 1:

- ❖ 42% of income for the average
- ❖ 54% for the lowest income



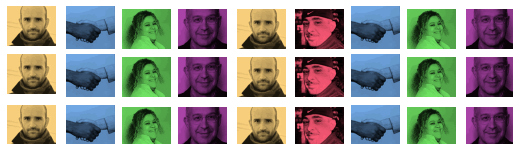
Legal and regulatory environment in France

III. Lack of incentives to get out of welfare into self employment:

- ❖ People on welfare don't pay social contribution and benefit from health and family insurances as well as pensions.
- ❖ They have a stable minimum income (400 €/month) and small informal jobs.



II. Funding of microfinance institutions



Funding of microfinance institutions

Cap on interest rate

Amendment of the banking law (implemented in 2003) authorizes associations financing unemployed and beneficiaries of welfare to borrow from banks and on-lend

BUT

Cap on interest rate for loans to sole proprietor enterprises (about 7% interest rate)

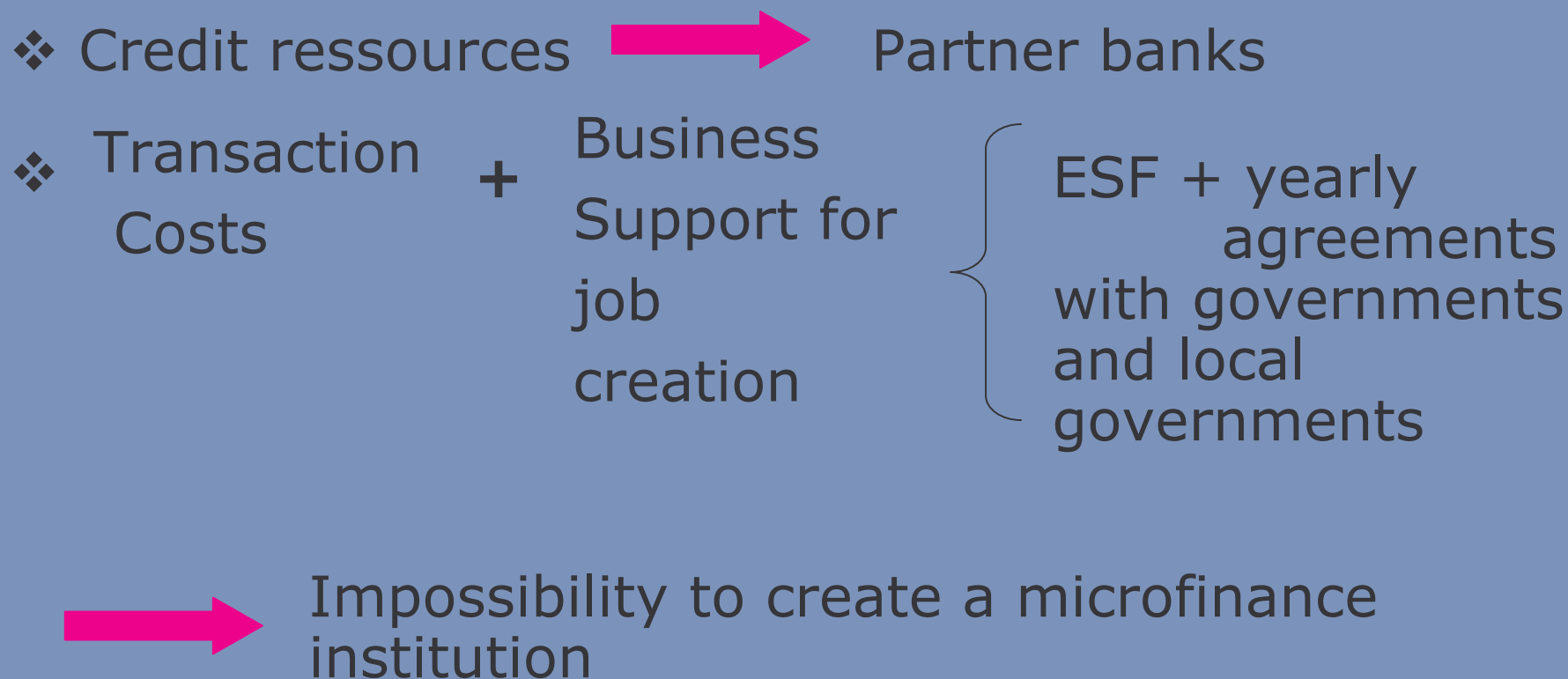


Impossibility to reach operational sustainability

Banks finance business creation through consumer loans (15 to 20% interest rate)

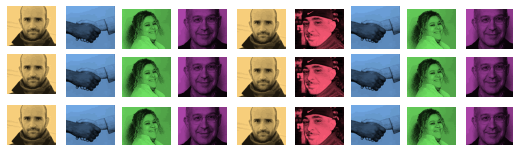


Funding of microfinance institutions





III. Strategy for a change



Change to legal environment

- ❖ By demonstrating:
 - o the potential of self-employment
 - o the interest of the banking sector
- ❖ By influencing public opinion through:
 - o articles, radio, TV presentation
 - o books
- ❖ By making proposals:
 - o to the government
 - o amendment of the banking law
 - o recognition of self-employment as a way to inclusion
 - o reduction of social insurance
- ❖ By extending lobbying at the European Union level:
 - o Creation of EMN
 - o Conferences
 - o 2005, year of microcredit