

Microfinance what does it mean ?

Microfinance is not only a financial instrument, but a complex tool which can contribute to a high level of sustainable employment, encourage new businesses, self-employment and stimulate economic growth on local level. Therefore, it is in the public interest that microfinance schemes should be available and easily accessible for the target groups. Many European countries dedicate public funds to finance microcredit programmes; and such schemes have already proved their efficiency and sustainability.

Why should governments allocate public funds for microfinance programmes?

What are the benefits of microfinance to the target groups?

What are the differences between non-profit microfinance and bank loans?

The project "ATM for SMEs" is aiming at giving comprehensible answers to these questions and also showing the ways how decision makers can exploit the potential of non-profit microfinance schemes.



WHAT DID THE PARTNERS LEARN FROM THE PROJECT?

The project is implemented through the Interreg Europe programme co-financed by ERDF.

WHAT DID THE PARTNERS LEARN FROM THE PHASE I?



Fejér Enterprise Agency

LEAD PARTNER

When we want to develop a tool to tackle a social problem, at first we have to analyse the problem, then select the most appropriate tools to solve that problem.

In our case the main social problem is that even in industrialized countries there are a lot of people who can't have access to small loan amounts that would enable them to pursue an independent income generating activity.

The main reason for this is that the risk related to these small loans is usually so high that the banks simply can't undertake it due to the strict regulations.

Microfinance institutions were set up to satisfy these financing needs.

An excellent tool to handle this problem is to provide access to microloans through social microfinance institutions.

When we plan microcredit schemes, we mustn't forget that the microfinance sector has two different branches that operate under very different conditions.

One of the branches includes the non-profit funders, like foundations, the other one the profit-oriented financial enterprises.

" Provide access to microloans through social microfinance institutions.."

Their operation, legal background and objectives differ significantly.

The European Union plays a very important role in funding the most successful microcredit schemes, yet we believe that the social impact of these schemes could be further increased.

Having examined a number of good practices we found that giving precedence to social goals often has a detrimental effect on the financial result. That is why it is important that these microfinance institutions should receive more attention and support from the public bodies.

The EU and the national authorities should launch new guarantee, debt and equity facilities combined with subsidies and grants.

Beside the European Investment Bank, new complementary channels should be set up so that social MFIs can also have access to the central funds.

It is important that the public money should promote social return and we shouldn't set unrealistic financial expectations for the sector.

We find it extremely important that the authorities should consider the professional recommendations of the professional organizations when making decisions.

If decision-makers act accordingly, they will not have to wait long for social success



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Ministry of Finance

PROJECT PARTNER 2

There were many novelties by participating in this project for us.

As a managing authority, we are responsible for the Economic and Innovation Operational Programme (EDIOP).

Primarily, our final recipients are SMEs who implement mostly technological development projects.

So we are, as a managing authority, a peculiar partner in the project, but at the same time we have a specific loan product with a social aspect related to the employment thematic objective.

This loan product we identified to be the one where we can use the good practices shared by the project partners and we have opportunity to re-think the conditions having a more attractive call.

Since, we aim to finance two types of groups with this product.

On the one hand, we provide loans to new firms founded by earlier unemployed persons or inactives, on the other hand to social enterprises. This project was a great opportunity to exchange good practices and we hope to finalise the review of our loan product (EDIOP-8.8.1) by Q1, 2019.

Let me emphasize also that we had a very good partnership with the project partners which would be a pity to lose.

We really hope to keep such good relationships informally or in bilateral form and we can co-operate in designing new products in the future, as well.

European Business and Innovation Centre of Burgos (CEEI-Burgos)

PROJECT PARTNER 3

Due to the particular circumstances that CEEI Burgos let's say face in this project for we are trying to replicate more or less something within the framework of another former Interreg project Difass.

So first we will try to replicate or well, we have selected our own detected good practises, which are the one by CEEI Burgos and the one by Sodebur because is something similar to what we are trying to do. But also, there are some good practises from other partners within the framework again of the project that are really relevant for us for instance the one from the polish partner called Cash on the Start which reflects a perfect combination of training and financial facilities at the same time. So, this kind of other good practises could be of course obviously included in an action plan along with others or so extracted from the project



"We are going to affect or modify a policy or improve a policy."

There are as always, many lessons to be learned because for instance sometimes you have to realise that it's not easy to implement the actions you would like to because of different reasons or different aspects that sometimes you don't take into account beforehand. And for instance since we need, we are going to affect or to modify a policy or to improve a policy then you have to take into account that the policy is made by politicians, there are also elections and so on, so the different aspects you have to take into account and also the rhythm of the actions to be taken should be aligned with also the environment where you are moving or you are working.

In our case, there are the same two main issues to be taken we are dealing with the first one is that we have to take into consideration as I have said before that aspect of a let's say, environment so there are local elections maybe the people in charge of the policies or the relevant policy could change so we are trying or it's important for us to get that consensus among all the political parties or our community in order that eventual change doesn't affect the potential result of the project. And also, another issue to be dealt with, it's everything in relation with competition so we have the traditional banking sector around so we have to be able to work in that environment with other actors that also are trying sometimes to reach the same targets than you.



KIZ SINNOVA company for social innovation gmbH

PROJECT PARTNER 4

The most important learning for us was really to see how the other partners of the project implement really innovative solutions to support entrepreneurs locally, in their regions very successfully. So there was a wealth of suggestions, how we and Offenbach could improve our support for really entrepreneurs who have the potential to create jobs and to create sustainable businesses. That was really very helpful. Let me just say it was interesting to see how other countries use microfinance not only to support underserved communities but also use it really for very concrete political purpose and that is to support entrepreneurs and strengthen their local economy.

The locally we reached out to a noon focus group so we try to attract for example students from universities, who are interested in setting up a business. This new generation needs a new form of support; they are interested more in mentorship not so much in training, basically because there is so much available these days. If you go on the Internet you find really a wealth of information but especially these young talented people find it difficult to apply that knowledge and for that we need a very targeted support mechanism. In this scope of this project we were able to develop this new methodology. Also we were able to develop new financial instruments, which are more targeted to the needs of this talented people.

In the future I would like to see some activities more on a political level that we have a better legal framework.

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So we should take into consideration that microcredit for example is provided for profit, but also we have a non-profit purpose. This is really focusing on underserved people for example, but also to strengthen the local economy. Currently the regulation we have is basically for profit orientated service provider so my suggestion is that we address this topic probably and find very good solutions for the non-profit sector as well.



Zala County Foundation for Enterprise Promotion

PROJECT PARTNER 5

The microcredit is very important tool for the micro companies in Zala county Hungary.

It is very important social financing and employment growing tool. We are dealing with micro crediting for a long time and the ATM for SMEs project is the 13th project, in which we engage to financial tools. Our action plan topic will be; how can we implement the learned good practices in our region? It is very important for micro crediting the quality of life and how many jobs can we create with the help of it. This project is meaningful for our microfinancing efficiency. One of the most interesting good practices was from Germany, which is dealing with the social methods for young entrepreneurs. The main lesson learned that the microfinancing isn't only about financing but consulting as well. The non-profit crediting is little bit better than the profit orientated

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Autonomous Region of Sardinia - Regional Department for Planning

PROJECT PARTNER 6

Autonomous Region of Sardinia - Regional Department for Planning Participating to ATM project under the Interreg Europe Programme, has been quite challenging for our organisation. For Sardinia Region there have been so many benefits from the participation to the project, for example we have a clearer overview of the microfinance policy in all Europe, thanks to the partners and now we can draw our action and our measures with direct knowledge what other countries are doing with this respect. There is another added value that comes from networking with partners, from this experience with can build up other projects, we can build up other paths and work together with EU partners. And to a certain concern, the project has also permitted to create networking inside Sardinia region, we have been dealing with so many actors, local actors, with microfinance themes and subjects and we want to put up the maximum results of the interactions that have been created thanks to the project. And last but not least, one of the other added values of the project is that when we work together with the partners in ATM's, we feel European, and this is something absolutely important for us. About the main outcomes, I think that we are in the right way to create a good regional action plan and a good instrument for the companies for the regional structure for benefitting for it.



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PORA Regional development agency of Koprivnica Križevci County

PROJECT PARTNER 7

During the last 2,5 – 3 years, all of the study trips and exchange reports that we have been doing throughout the project, from Offenbach to Croatia, the main good practices that we learned are all connected with the non-financial help; this is the most important I would say, a lesson learned for us, because besides the financial help and the microfinancing of loans, it is also very necessary to provide to the entrepreneurs non-financial help, such as advising them when starting their own business, and we could see throughout the study trips that we had that all of the partners think in the similar way regarding this, because when an unemployed person is trying to open up his own business, the most important thing is to get the information. So I would say that this is the most important lesson learned, and we also tackled this in our Action plan structure for benefitting from it. Of course, we have faced some difficulties regarding the Action plan in the implementation phase; we will see now how we will manage to implement all of the lessons learned throughout 2,5 years, hopefully the non-financial help and non-financial advising that we learned through the ATM project will be implemented even more in Croatia. We now have a lot of programs helping entrepreneurs with their business plans and stuff like that, but we hope that our Regional action plan will emphasize this even more in the years that come."

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Świętokrzyskie Region - Marshal Office of Świętokrzyskie Region

PROJECT PARTNER 9

This project is very important for our administration in Poland and the regional level because Interreg Europe means sharing the experience and microfinancing is very important tool and we can now estimate how important when we see good practices from other countries like for instance for us very important cases from Germany or from Norway when we see how they concentrate on the people who they are excluded, on the migrants or young people that try to find their chance in life and they offer this microfinancing and this support.

It was very important for us to see different aspects of microfinancing that could be different good practices not only giving the money simply at the local level. Talking about now what we have learned in this project, lessons learned, it was very important to see this complex attitude not only thinking about money, thinking about mentoring about this that what we should offer complex support and this people to be honest maybe at the end wait for money and the beginning wait for the good talk, for good meeting, for explaining the rules what is the chance to set up business, what are the main conditions to get this money, so it was very good for us to see to prepare just friendly and people-oriented system and the same we would like to transfer in our region.

*"Adopting innovation
in the different
countries covered by
the project."*

European Microfinance Network -EMN aisbl

PROJECT PARTNER 10

The main benefit was the fact that we got to know the different methodologies adopted by the partners of the project in the delivery of microloans to microenterprises and vulnerable groups. Also, it was interesting to see the different mix of public and private funds used for this purpose by the partners.

The conclusion that we can take at this point of the project is the fact that the exchange of good practices among managing authorities and microfinance institutions can be highly beneficial for adopting innovation in the different countries covered by the project.

*"Interreg Europe
means sharing the
experience."*



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