



Microfinance fills important niche in European entrepreneurship



What started as an EU-funded project has blossomed into a full-fledged non-governmental organisation (NGO). The European Microfinance Network promotes microfinance, assisting the fight against unemployment and social exclusion through the development of small businesses.

Microfinance first came to prominence in the 1980s, as a tool to alleviate poverty in developing countries. The success of schemes such as the Grameen Bank in Bangladesh highlighted how small loans to the poor could help them to engage in productive activities and set up or grow their small businesses. Around the world millions of farmers, craftspeople and shopkeepers have benefited from the support of microfinance institutions.

In 2003, the EU Social Protection and Social Inclusion Process funded a project that explored how microfinance schemes could work in Europe. Today, the European Microfinance Network (EMN) has 54 members from 21 countries. The majority of these members are organisations that have interest in microcredit, including organisations that provide microcredit, NGOs, banks, public bodies and organisations specialised in research on microfinance. With this membership base, EMN has become a major actor in the microfinance field in Europe.

■ Accessing credit important step towards self-employment

In Europe, microlending schemes can be a solution to high unemployment, and can help minority groups and women participate more fully in the workforce, says EMN Executive Director Philippe Guichandut. "The new trend in the economic sector is that more and more people will not get full employment in traditional jobs. Many unemployed people want to start a small business but their main constraint is getting financing."

The banking sector often perceives microcredit as a high-risk activity with low returns due to the failure rates of micro-enterprises and the high transaction costs of lending very small amounts. Small enterprises, new or existing, often face problems when they approach mainstream finance providers for capital investment and working capital. This insufficient supply of micro-loans is a major barrier to enterprise, in particular where



entrepreneurs are unemployed, women or ethnic minorities.

“Banks don’t want to take a risk at the beginning of a project but will provide money once credibility is proved. So microcredit can be a very powerful tool in helping the unemployed find their way back into the mainstream economy”

“Once a small business is successful, however, banks may be more willing to provide a second loan for expanding the business or starting a new one,” says Mr Guichandut. “Banks don’t want to take a risk at the beginning of a project but will provide money once credibility is proved. So microcredit can be a very powerful tool in helping the unemployed find their way back into the mainstream economy.”

■ Training and support vital to success of small business

While EMN does not provide loans, it works with a number of partners that do. Micro-lenders usually focus on self-employment and target a specific client group on a regional or national level. The network provides conferences, training, exchange visits, technical support and lobbying for its members. Membership fees and training activities account for 30% of its income while 20% to 25% comes from external funding partners and 40% from specific projects that run through the European Commission.

“It is very important to provide our members with concrete activities,” says Mr Guichandut. “It is a way to help them deepen certain aspects of their work and to work on specific topics. The seminars and exchange visits are really added value for our members because they give them a chance to explore different aspects of business that they wouldn’t otherwise have the opportunity to do.” ●●●

Carlos Fontinha builds "Gardens in stone"

Carlos Fontinha has been working with his hands since before his 13th birthday. At the age of 17, desperate for work to ensure his survival he found himself collecting crustaceans and seafood and selling them to restaurants in the area. It was at this stage that, through a friend of a father of a friend, he began getting interested in gardening, learning the intricacies of the job from his newfound mentor.

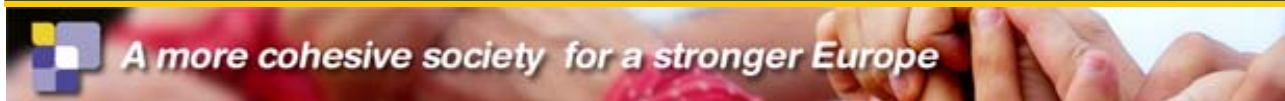
Thanks to this contact and the sympathy of others, Carlos started attracting clients of his own at an impressive rate. He found himself facing an abundance of demand and potential, but he lacked the money needed to buy the equipment that would allow him to serve clients. Still a young man, he never considered giving up, motivated by the fact that he enjoyed building his project and felt himself too personally invested to quit. He searched for a solution to his lack of funding, but was turned away by banks that cited his lack of guarantees.

Then one day he was watching television and heard about EMN member Associação Nacional de Direito ao Crédito and realised there was a place he could get credit to launch his business. Without hesitation Carlos contacted the association and made his dreams come true.

Jardins de Pedra (Gardens in Stone) is today a successful microbusiness moving steadily toward ‘small business’ status, and Carlos has a number of projects lined up for the future. His business offers three services: maintaining and cleaning of gardens, outdoor woodwork and stonework, and automatic watering systems. Imagination and creativity has made Carlos a success, and are the hallmark of all the services he presents to clients.

Courtesy of European Microfinance Network





••• Mr Guichandut adds that the support of the European Commission was crucial to the ongoing success of the project. "Building the network has been extremely important in building this important new sector. If members have concrete support and information they can help the microbusiness sector grow. Its creation came at the right time."

21 June 2007

Project information

Name of the initiative: Développement d'un réseau d'échange des acteurs européens de la micro-finance

Activity: Trans-national Exchange Project

Lead organisation: ADIE – Association pour le Droit à l'Initiative Economique (France)

Website: www.european-microfinance.org/index2_en.php

Countries: Germany, Spain, France, Finland, Portugal, UK

Scope: Trans-national

SPSI Priority theme: over-indebtedness and financial exclusion

Year: 2003-2005

EU funding: €242,000.00

Coordinator:

ADIE – ASSOCIATION POUR LE DROIT A L'INITIATIVE ECONOMIQUE

4, bd Poissonnière,
75009 Paris, France

Tel.: +33-1-56-03-59-00

Fax: +33-1-56-03-59-59

Website : www.adie.org

e-mail : rem@adie.org