



EUROPEAN
MICROFINANCE
NETWORK

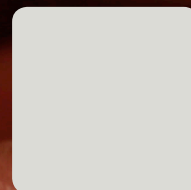
ATM for SMEs
Interreg Europe



European Union
European Regional
Development Fund

European Good Practices: ATM for SMEs Interreg Project's Experience

Adriana A. Olmedo Mereles



Introduction

In the context of economic crisis and growing inequality that has faced Europe in the last years, microfinance has emerged as an important policy tool to fight against social and financial exclusion, promote self-employment and support microenterprises. In Europe today, there are a wide variety of microfinance initiatives (both private and public) providing financial and non-financial support to vulnerable people underserved by traditional lenders. These microfinance actors have the common goal of increasing social and financial inclusion for their clients; however, there are significant differences in how these initiatives reach and cater to the needs of their target groups.

Building on the variety of actors and practices of the European microfinance sector, the Interreg project "Access to Microfinance for Small and Medium Enterprises" (ATM for SMEs) aims to improve access to microfinance in various European regions by exchanging local knowledge on innovative solutions adopted by project partners. To achieve these objectives, the "ATM for SMEs" consortium is characterized by a balanced proportion of managing authorities and microfinance institutions and is supported by the European Microfinance Network (EMN) as an advisory partner. In this framework, the EMN has worked on the selection and further elaboration of the Good Practices (GPs) shared by the project partners and which are compiled in this publication.

According to the Triodos Facet definition¹, GPs consist of "all the plans, processes, methodologies, activities and approaches that are documented, accessible, relevant and fundamentally accepted, developed by professional organisations and put into practice by well trained personnel. These measures have proven to be in keeping with the legislation in force, tested and put into practice, through research and experience. Consequently, they have proven to be effective and able to live up to expectations. It

has also been established that they can be easily modified and improved according to context."

Compliance with the above-mentioned definition - with particular attention given to the initiatives' tangible results and replicability² - and the current threshold for what is considered a microloan at EU level (loans up to EUR 25,000) drove the revision process that led to the selection of the GPs that are presented in this publication.

In this process, a working group of professionals from the sector was created to assist EMN on the selection of the GPs. The final result is a compilation of 15 GPs (out of the nearly 80 GPs shared by project partners) that provides a balanced representation among initiatives exploring the adoption of innovation (both technological and in the products offered) and development of partnerships in delivering microloans to new business funders and existing microenterprises. An additional 3 GPs, identified from external organisations, have been integrated into the study to provide supplementary insights and ideas to the project partners.

To guide the reader across the different GPs, the chart below provides an overview of the initiatives by topic and the country of implementation. To complement the project's good practices we included an additional innovative solution from the sector for each category: TISE Partnership in Poland, Adie Microinsurance on product innovation and Qreditis learning platform on technological innovation.

We hope that the dissemination of the lessons learned from these successful initiatives in Europe will allow project partners to capitalise on the accumulated experience in the participating regions and encourage replication and constant improvement.

1 Triodos Facet within the framework of the 2007 regional project Meda-ETE

2 In line with the Interreg project guidelines on Good Practices

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Good Practices overview by topic

Development of Partnership		
1 Autonomous Region of Sardinia, Labour Department	Italy	Microcredit fund for enterprise creation using ESF funds
2 Centro Europeo de Empresas e Innovación Burgos (CEEI Burgos)	Spain	SODEBUR microcredit facility
3 ES TISE Fund	Poland	Providing loans to social enterprises through the establishment of a successful partnership between the Ministry of Economic Development and TISE an institution specialized in this target group.
4 KIZ SINNOVA company for social innovation	Germany	DMI's trust-based partnership model
5 Marshal Office of Świętokrzyskie Region	Poland	Loan fund recapitalization of the centre for business promotion and entrepreneurship in Sandomierz
6 Marshal Office of Świętokrzyskie Region	Poland	Project "Cash on Start"
7 Ministry for National Economy Deputy State Secretariat	Hungary	Building up a broad financial intermediary level in channelling financial instruments
8 PORA Regional Development Agency of Podravina and Prigorje	Croatia	Program "Credit to success"
9 PORA Regional Development Agency of Podravina and Prigorje	Croatia	Set up of the first ethical bank in Croatia by the cooperative for ethical financing
10 Zala County Foundation for Enterprise Promotion (ZMVA)	Hungary	Zalaegerszeg credit support programme

Innovation in Products

11 Adie	France	Strengthening vulnerable micro-enterprises through microinsurance: The Adie Experience
12 Autonomous Region of Sardinia, Labour Department	Italy	Coopfin microcredit to cooperative members
13 Centro Europeo de Empresas e Innovación Burgos (CEEI Burgos)	Spain	CEEI Burgos risk assessment methodology
14 Ministry for National Economy Deputy State Secretariat	Hungary	Combined grant and microcredit scheme structure

Technological Innovation

15 Fejér Enterprise Agency	Hungary	FEA's Entrepreneurial Promotional Tools
16 Fejér Enterprise Agency	Hungary	Rural Financing Programme: Online Credit Application System and Business Development Services to Rural Entrepreneurs
17 KIZ SINNOVA company for social innovation	Germany	MIS "intheopro" management information system
18 Microfinance Norway	Norway	Implementation of Credinfo IT System for MFIs in Norwegian context
19 Qredits	The Netherlands	E-learning courses for entrepreneurs



Good Practices on Development of Partnership



MICROCREDIT FUND FOR ENTERPRISE CREATION USING ESF FUNDS



Autonomous Region of Sardinia, Labour Department

Objective of Good Practice

The use of ESF Funds to provide microloans in order to support individuals with difficulties in accessing traditional credit channels to start up a business

Timeframe of Good Practice

2009 - Ongoing

Keywords

Financial Products, Structural Funds

Institutional profile	Autonomous Region of Sardinia – Labour Department. Management Authority (MA), in cooperation with its Support Office, gives direction and coordinates Fund's action, contracting the documentation for the implementation of Fund and enacting the approval/rejection of proposals. MA checks the implementation progress and guarantees the eligibility of expenditures
Type of Organization	Government Body
Country	Italy
Products & Services provided	Financial: Business microloans Non-financial: Training, Mentoring
Gross Loan Portfolio	N / A
Number of clients	N / A
Target Audience	Women, Unemployed people or people on welfare, Ethnic minorities and/or immigrants
Organization Website	www.sardegnaprogrammazione.it

Overview of Good Practice

Since 2009, the Region of Sardinia has used a revolving microcredit fund, financed by the ESF (European Social Fund), to support the establishment of microenterprises by disadvantaged groups (immigrants, persons with disabilities, ex-prisoners and ex-drug addicts) or people at risk of poverty and social exclusion due to the current economic scenario (50+, unemployed, women and young people). This financial instrument supports individuals with difficulty to access traditional credit channels and who want to start up a business or intend to invest in an existing initiative. On the one hand, the ESF Microcredit fund was set up in to reduce the gap between supply and demand for access to finance and micro finance in Sardinia, while on the other hand, the project supports people that do not have the requirements to obtain funding from banks. The Fund has the following characteristics: i) microloans of EUR 5,000-25,000 transferred to final beneficiaries through a unique solution; ii) reimbursable at zero percent interest and without guarantees; iii) paid back in monthly installments (no interest, except for delays); iv) payback period: 5 years with 6 or 12 month grace period. Microloans are disbursed directly by the regionally owned financial institution SFIRS (Società Finanziaria Regione

Sardegna SpA), which is in charge of the investment and planning strategy, the selection of beneficiaries through public calls for projects, the management of the portfolio, the monitoring and control of funding transferred to beneficiaries and informing the ESF Managing Authority on the implementation progress. Thanks to the success of the program, it has been renewed for 2014-2020. In the new period, microloans have the option to be complemented with non-financial services through a program called Imprinting (also financed by the ESF). Its aims to provide an integrated system of services through two main components. First, to support the enterprise creation for potential entrepreneurs' by providing training, assistance in the development of business ideas and drafting the business plan (ex-ante services). Second, new entrepreneurs have access to start-up support and assistance in the medium and long-term for financial, management, marketing, planning and operational support in the management of daily business activities, such as legal and fiscal advice (ex-post services). Ex-post services are addressed only to microcredit beneficiaries in the development of their businesses.

Innovativeness

Establishing this type of financial instrument not only boosts the regional employment rate, but also helps to overcome the traditional system of grants with loans, producing a multiplier effect in terms of the number of potential beneficiaries. It also increases the beneficiaries' responsibility.

The ESF 2014-20 Microcredit Fund presents an innovative way of combining ESF structural funds to provide a combination of both financial services (microloans at favorable conditions) and tailored non-financial services to vulnerable clients who are willing to start a business.

Outcomes

The total founding capital was EUR 78.5 Million, which supported some 3,700 projects (six different call for projects were published from 2010 to 2016); the revolving funds servicing the final beneficiaries grew to EUR 89 Million.

Efficiency and Sustainability

As of January 2017, up to 40% of the budget granted as loans was paid back. According to an evaluation study published in 2015, with respect to the second call for projects, only 3% of the microloans granted were in default. This is an encouraging result.

While credit to enterprises, particularly microenterprises, is continually decreasing, the Fund demonstrates resilience: since the first call for projects, the experience of funded enterprises has been consistently positive, and additional calls have been carried out annually.

The ESF Microcredit fund is a structured and consolidated action within the regional portfolio of funding instruments. After reviewing the program, Imprinting was introduced since the provision of non-financial services in combination with a microloan enhances the repayment capacity and the overall performance of the microcredit fund.

Awareness on the potential of financial engineering, together with the good results obtained with the project boosted the replication of the initiative at different levels:

Regional –the setup of additional instruments that will mediate the governance of microcredit; National –the expression of interest from other regions that plan to set up similar instruments; International – through meetings to disseminate learned experiences.

Lessons Learned

The possibility to use ESF Funding for microloans at favorable conditions to support individuals with difficulty to access traditional credit channels, a start-up business complemented with an integrated system of services.

Experience gained in the management of the Microcredit ESF Fund can facilitate preparation of programmatic documents and ensure a model for access to information, support in the strategic review in the use of resources and certification of expenditure. The investment and planning strategy, as well as the rules for managing financial operations (implementation control, eligibility for expenditures, resources returned to the operation from investments undertaken by funds and rules for payment, treasury guide lines) have been established in the Funding Agreements undersigned by the Region and SFIRS. The strategy details the criteria in the allocation of resources and defines the priority for funding. Monitoring and control procedures, include back office control of documents, audits, and reports, according to necessities and agreements between the Managing Authority of the OP and SFIRS.

In Practice: Success Story

- 📺 [Esperienze di Successo – Giovani](#) ⌚ min. 2:00 🗨️ Italian
- 📺 [Buone Pratiche POR Sardegna](#) ⌚ min 2:29 🗨️ Italian
- 📺 [Evento Annuale del FSE 18 Novembre 2016](#) ⌚ min 5:55 :01 Whole FSE event. 🗨️ Italian

Further Readings

["L'Isola che c'è. Microcredito e azione pubblica in Sardegna"](#)

SODEBUR MICROCREDIT FACILITY



The Society for the Development of the Province of Burgos (SODEBUR)

Objective of Good Practice

Establishment of a successful partnership between a public authority and a business incubator specialized in the delivery of microcredit to support start-ups, unemployed people and rural development in Burgos Province

Timeframe of Good Practice

2013 - Ongoing

Keywords

Partnership in the delivery of microloans

Institutional profile	The Society for the Development of the Province of Burgos (SODEBUR) works to promote social and economic development in the Province of Burgos. It is a Limited Society entirely owned by the Burgos Provincial Government. Together with the Centro Europeo de Empresas e Innovación de Burgos – (CEEI Burgos) which is an Incubator or Business Centre where they provide assistance in the support and implementation of business projects emerging from the entrepreneurial spirit of the citizens of Burgos, whether they involve companies or self-employed people
Type of Organization	Public Body
Country	Spain
Products & Services provided	Financial: Business microloans Non-financial: None
Gross Loan Portfolio	N / A
Number of clients	N / A
Target Audience	Rural population, Urban Population, Entrepreneurs
Organization Website	http://www.sodebur.es/es/burgos

Overview of Good Practice

After the Global financial crisis, credit facilities were very limited in the traditional Spanish financial market and even more complex in rural areas. As a result, a partnership between SODEBUR (Provincial Governmental Agency) and CEEI Burgos was developed to offer rural entrepreneurs credits under EUR 25,000 without the need for a guarantee and at favorable interest rates (1,5%-3%). This product is exclusive to the Burgos region, which has 361,021 citizens and intends to reduce youth migration to other large Spanish cities. CEEI Burgos designed the features of the product in line with the social objectives pursued by the public organization, SODEBUR that in 2013 allocated a budget of EUR 125,000 for the disbursement of microloans. Public funds from the province are used by CEEI Burgos, who are in charge of loan management. After receiving the loan application, CEEI Burgos loan officers analyse the proposal and schedule an on-site visit to entrepreneurs. Once the assessment of the client's project

is complete, the file is presented to the credit committee, which is composed of SODEBUR representatives, Burgos Chamber of Commerce, Burgos Young Managers Association, Burgos Federation of Business Associations and the Provincial Government of Burgos to ensure that social objectives set by the partners are met. After the credit decision, CEEI Burgos contacts the entrepreneur to notify them of the decision and do any necessary follow-up. In the framework of the partnership, microloans are directly disbursed by the financial unit of SODEBUR, who also monitors the repayment of the installments and liaise with the loan officer in case of problems. The management and follow-up of the operation is carried out by CEEI-Burgos. Thanks to the success of the partnership, the budget available to CEEI Burgos for the disbursement of microloans increased from EUR 125,000 in 2013 to EUR 800,000 in 2016. Funding has been increased due to proper risk management and the re-investment of the interest revenues.

Innovativeness

The common goal of two organizations led to the success of the collaboration between a province agency and a partner specialised in the provision of microloans. Rather than disbursing funds as a subsidy, the Province agency instead provides capital for the loans and works in cooperation with a microcredit provider to design a sustainable program with favourable conditions for the final beneficiaries.

Outcomes

From its inception in January 2013 to June 2017, 120 applications were received, of which 59 loans were approved in the amount EUR 1,097,354. The region of Burgos has 361,021 citizens and a considerably lower unemployment rate of 10% compared to the rest of Spain (18%). In terms of social outcomes, the microloans disbursed generated 43 new jobs with a 100% survival rate of the projects. The total leveraged investment amount to EUR 1,515,826 (overall investment of the projects supported). The main activities funded are automotive workshops, restaurants and bars, logistics, farming and rural hotels. Funds allocated for microfinance by SODEBUR have increased 6.4 times in the four years since programme inception. Proper due diligence in the management of the funds and the decision to invest rather than issue grants has allowed the possibility to generated a financial return and recycle the capital.

Efficiency and Sustainability

CEEI Burgos committed to periodically report to SODEBUR on the performance of the portfolio and social goals. This is done during at every credit committee. In the current partnership, SODEBUR did not fix a target in terms of number of loans that need to be disbursed annually by CEEI Burgos. The Province is available to augment the budget according to the needs and demands observed in the field. Given the current portfolio quality and scale of operations, the current low interest applied by CEEI Burgos which is a non-profit institution, ensures the operational sustainability of the program. In addition, thanks to the innovativeness of the risk assessment, the program has an extremely low PAR30 (1,21% in 2016) which secures the sustainability and efficiency of the programme.

ES Fund TISE

TISE, Poland



Objective of Good Practice

Providing loans to social enterprises through the establishment of a successful partnership between the Ministry of Economic Development and TISE (an institution specialized in this target group)

Timeframe of Good Practice

2013 - 2021

Keywords

Successful Partnership, Structural Funds

Institutional profile	Social and Economic Investment Company TISE SA has 25 years of business history. It was established in 1991 by the BISE Bank, Foundation for Social and Economic Initiatives (FISE) and the French investment fund SIDI. Today it is owned by the French bank Credit Cooperatif, which has financed social economy projects for over 120 years. In 2002, TISE joined the European Federation of Ethical and Alternative Banks – FEBEA, formed by 22 institutions financing social and ethical projects. TISE still remains the only Polish representative in FEBEA
Type of Organization	Investment Company
Country	Poland
Products & Services provided	Financial: Business microloans, guarantees, subordinated loans Non-financial: Mentoring, Support services to social entrepreneurs
Gross Loan Portfolio	EUR 9,3 Million (As of May 2016)
Number of clients	431 loans to 371 social enterprises (As of May 2016)
Target Audience	Social enterprises and entrepreneurs excluded from the mainstream financial services
Organization Website	https://www.tise.pl

Overview of Good Practice

The ES Fund TISE-Loan Fund is a pilot programme that aims to provide repayable financial instruments combined with non-financial services to social enterprises in Poland. Although the Polish economy is still relatively small and diversified, there was limited access to finance for social enterprises since they usually lack capital at adequate terms for mainstream finance providers. TISE was developed after the European Commission recommended the introduction of repayable instruments, abandoning the previous model of non-repayable loans. It was supported by substantial latent demand for external financing together with the attractive conditions of the loans. Borrowers received preferential terms and a simplified application process in order to tackle the initial aversion to repayable instruments. On average, the loans were EUR 16,000 and repaid in 4,2 years. Average interest rates were 1,2%. Borrowers were also encouraged

to receive at least 30 hours of mentoring and training. To deliver this financial instrument, a partnership model was established among four institutions: the Managing Authority is the Ministry of Economic Development and is in charge of the regular project evaluations; TISE is the financial intermediary which provides the loans and manages the lending process and performance; BGK State Development Bank acts as the Fund Manager and operates the holding-fund resources, transfers loans and controls the effectiveness of the financial intermediary as well as oversees the utilisation of returned resources; and lastly the Ministry of Family, Labour and Social acts as the Intermediary Body monitoring the project and providing funds. Another important aspect includes the 40 partnerships with non-governmental organisations and existing social economy support centres established by TISE to promote the project.

Innovativeness

The social economy sector in Poland is underdeveloped compared to other EU member States. Social enterprises and social economy entities lack not only financing but also business skills, which hinders their success. Targeting this sector directly helps to tackle unemployment and social exclusion, generating positive impact in self-employment and entrepreneurship. Furthermore, the approach taken with this instrument allowed the sector to move from a grant scheme to a repayable loan. This highlights the beneficial aspects of microfinance as a virtuous cycle of growth and allows for the reuse of the funds.

Efficiency and Sustainability

The fund received supplementary funding from the loan capital repayments and project revenues. Since this was a pilot project testing the change from a grant to a repayable loan, the positive and successful response of the target population resulted in the extension of the project and an increase in its initial budget. Additionally, the pilot's success was in large part driven by the selection of the financial intermediary. TISE is one of the two specialized institutions that offer financing for the small, but growing, social economy sector. The financial intermediary's familiarity with the market provided sufficient understanding of the needs of the borrowers and the overall sector.

Outcomes

The fund's investment period lasted from 2013 – 2015, and the repayment and monitoring phase is scheduled until 2020. The initial budget was EUR 7,3 million, but given the positive results regarding the timeline, quality of services delivered and the number of jobs created (exceeding the initial target of 50 jobs within social enterprises), the project has been extended until 2021. The overall budget was increased to EUR 9,3 Million, 85% of which was financed by the European Social Fund with the rest coming from national, public sources.

The objectives of the pilot project included:

- ➔ Granting loans to at least 21 existing social enterprises;
- ➔ Providing 30 hours of free advisory services to improve the professional competency of at least 200 social business owners and employees;
- ➔ Creating at least 50 new jobs;
- ➔ Testing the risk-assessment methodology developed by BGK for this sector; and,
- ➔ Diagnosing the need of social enterprises.

After the first implementation cycle ending in December 2015, there were no write-offs reported and the default rate was approximately 6.8%. TISE granted 431 loans to 371 social enterprises, helping to creating 436 new jobs and sustaining over 1.400 jobs, largely exceeding target expectations. TISE also provided formal post-investment counselling to 241 enterprises.

Lessons Learned

To address credit risk, loans should be complemented by guarantees. Some enterprises that are seasonal need more flexible products and this scheme did not address this aspect. Another lesson indicates the importance of strong and broad promotion through marketing efforts, which proved to be more effective than the local presence of the financial intermediary. In this instance, TISE employees could travel out of the city to visit customers.

Source / Further Readings

Boosting Social Enterprise Development Good Practice Compendium, OECD

DMI'S TRUST-BASED PARTNERSHIP MODEL



Deutsches Mikrofinanz Institut (DMI)

Objective of Good Practice

To establish a successful partnership model that allows for the disbursement of microloans in countries where the regulatory framework does not allow microfinance institutions (MFIs) to disburse loans and therefore, requires cooperation with other actors

Timeframe of Good Practice

2004 - Ongoing

Keywords

Successful Partnership

Institutional profile	Deutsches Mikrofinanz Institut (DMI) was formed by 50 microfinance actors who recognized the need for a common, nationwide structure to develop a sustainable microfinance solution in Germany. Its central mission is to ensure responsible and high quality provision of microloans so that the offered products meet the needs of customers and support their personal and financial development. DMI lives its mission on three levels: by providing services to microfinance players, by representing interests of its member and by improving the socio-economic structures for microfinance in Germany and Europe
Type of Organization	National Network
Country	Germany
Products & Services provided	Financial: None Non-financial: Accreditation of MFIs, Counselling and training to MFIs and potential microfinance actors, Research and development, Representation of interest, Public Relations
Gross Loan Portfolio	N / A
Number of clients	N / A
Target Audience	MFIs and Microfinance Sector Stakeholders (Banks, Municipalities, Foundations, Fund Administrators, Policy Makers, etc.)
Organization Website	http://www.mikrofinanz.net

Overview of Good Practice

Whenever the national regulatory framework does not allow MFIs to disburse loans directly, cooperation with banks and other key actors is necessary. In this respect, the Trust-Based Partnership Model has been designed to address the needs of all actors involved in microfinance operations, including ministries, municipalities, guarantee funds, organizations providing support for start-ups and entrepreneurs, banks, public and private investors, foundations and other philanthropic organizations. For MFIs, it is often nearly impossible to meet the standards and requirements of the above-mentioned institutions. On the other hand, ministries, investors, funds etc. cannot deal with individual interests. Only by sharing the workload and delegating tasks to those who are willing and capable of setting-up a robust microfinance framework can a dynamic, scalable system be created, which is open to interested parties. The partnership model operates on the premise that each partner does what comes naturally and what he can do best. The partnership is based on trust, checks and balances where each partner commits to the same principles and guidelines such as the Code of Good Conduct for Microcredit Provision.

The Trust-Based Partnership Model envisions: 1) the provision of financial services to those who are considered "unbankable" because including the real costs on interest and fees would lead to prices that are not acceptable for thin file clients; 2) filling a market gap for the social purpose of moving people out of family or welfare support into a situation where they can earn a living from their own activity; 3) the combination of loans with start-up and business development services that are organized by partnerships between not-for-profit organisation, public institutions, philanthropists and stakeholder banks; 4) the mobilization of additional resources and engagement to fully cover transaction, capacity building and quality assurance costs; 5) the exploitation of synergies between the core activities of the partners and their microfinance related operations to reduce transaction costs and lastly, 6) the development of trust-based relations between the partners and between the MFIs and the borrower as an essential step to create social capital, which reduces the risk of individual loans and the risks related to the cohesion of the overall microfinance system.

Innovativeness

The Trust-based Partnership Model envisages four strategic partners to assume distributed services:

- 1) MFIs take the role of the operator by providing complete client support starting from client acquisition and assessment of the loan application to the loan decision and client monitoring until the full repayment of the loan.
- 2) The bank disburses the loans; however, as the handling of the loan process is the responsibility of the MFIs, the bank has no direct contact with clients.
- 3) A guarantee fund bundles risk-sharing arrangements.
- 4) A quality risk and network manager assures the quality of both the partners and system

This distinctive partnership framework enables microcredit provision despite the banking monopoly by bringing together specialist stakeholders and service providers that want to support self-employed people and business starters with services that are complementary and synergistic. Each partner brings their expertise and focuses on what it can easily deliver within its specific role and responsibilities.

Another key innovative element of the Partnership Model is the Quality Risk and Network Manager (QRN). When it comes to establishing cooperation between banks and MFIs in most cases, a neutral third party is missing and the role of the QRN becomes essential. In Germany, the QRN organisation is comprised of the involved actors who join together in the association (DMI) that has taken over the tasks necessary to sustain and develop the overall organizational setting.

Efficiency and Sustainability

DMI's Trust-based Partnership Model has proven its effectiveness and efficiency. The model is highly scalable and borrowers from diverse backgrounds can be served. The model was developed with the German market in mind, however, it has reached such a level of development that it can easily be adapted not only at a regional or national level but also in other countries where cooperation with different actors is needed (banks, guarantee funds, public partners/institutions, private investors etc.).

Outcomes

Between 2010 and 2013, more than 15.000 loans with a volume of over EUR 100 million have been disbursed to start-ups and small businesses.

Lessons Learned

The key success factors of this model are:

- ➔ The separation of tasks is crucial. In this way, each partner only does what comes naturally and what he can do best.
- ➔ The implementation of a Management Information System is needed to ensure cost-efficient process for all aspects of microcredit provision.
- ➔ The involvement of private organizations that already have established contacts with the target group is a successful approach.
- ➔ The establishment of a risk-sharing mechanism between MFIs and guarantee funds that allows banks to avoid taking credit risks.
- ➔ Establishing quality management procedures to ensure quality services by all partners.

LOAN FUND RECAPITALIZATION OF THE CENTRE FOR BUSINESS PROMOTION AND ENTREPRENEURSHIP IN SANDOMIERZ



Centre for Business Promotion and Entrepreneurship

Objective of Good Practice

To increase access to finance and the level of entrepreneurship in the region of Sandomierz

Timeframe of Good Practice

2011 - Ongoing

Keywords

Successful Partnership, Structural Funds

Institutional profile	Centre for Business Promotion and Entrepreneurship is a foundation established in 1991 by the Senator of the Republic of Poland Zbigniew Romaszewski and TechnoServe, an American, non-profit organization which supports the development of entrepreneurship in many agricultural regions of the world
Type of Organization	NGO
Country	Poland
Products & Services provided	Financial: Business microloans, Business loans, Grants for start-ups Non-financial: Entrepreneurship training, Financial education, Coaching
Gross Loan Portfolio	EUR 2,500,000 (As of 30 September 2017)
Number of clients	108 (As of 30 September 2017)
Target Audience	Rural population, Urban Population
Organization Website	www.opiwpr.org.pl

Overview of Good Practice

In 2011, the initiative was implemented in the eastern region of Poland, Świętokrzyskie Voivodeship as a cooperation between the Marshal Office (regional government) and the Centre for Business Promotion and Entrepreneurship. This partnership recapitalized the Centre's loan fund thanks to the creation of a pilot scheme co-financed from Poland's ESF Human Capital Operational Programme during the 2007-2013 programming period. Under this partnership framework, the recapitalization of the fund allowed the Centre for Business Promotion and Entrepreneurship to create opportunities for entrepreneurs through access to capital (in the form of microloans and larger loans) in the early stages of business development, usually known to be a crucial stage where it's difficult or even impossible to obtain financing from the mainstream financial sector. Loans could be used to start or continue non-agricultural business activities such as:

construction, expansion or modernization of production, service and commerce sites, equipment and manual working tools, including the purchase of vehicles directly related to the purpose of the implemented enterprise, purchase of current assets and intangible assets, acquisition of patents or R&D results. Target beneficiaries are mainly entrepreneurs in the service and trade sector. Loans granted come with preferential terms and conditions such as 0% commissions, 6 month grace period and a duration of 5 years, a minimum self-contribution of 20%, an interest rate of 3,16% and the granted capital starts as low as PLN 5,000 (approx. EUR 1,100) and can now go up to PLN 250,000 (approx. EUR 60,000). The Centre for Business Promotion and Entrepreneurship provides the loans jointly with ESF-funded non-financial support taking the form of advice and training for start-ups and entrepreneurs supporting closely the development of their businesses.

Innovativeness

The successful cooperation shows how ESF co-funded loans and non-financial support can help people with insufficient capital but with ideas and skills to start a new business. This is especially important in areas with a general lack of job opportunities that need to improve the local socio-economic situation. It is also an example of cooperation between national and regional institutions for the implementation of financial instruments as several bodies are involved, with different roles and responsibilities.

The managing authority (Ministry of Infrastructure and Development – MID) is ultimately responsible for the operation and implementation of the financial instrument to the regional government – the Mazovia Marshall Office, which was appointed as the intermediate body. This first level intermediate body delegated the responsibilities of selecting the financial intermediary, contracting, monitoring, payments and settlements, controls as well as information and promotion under the operation to the Mazovian Unit for EU Funds Implementation (Mazowiecka Jednostka Wdrażania Programów Unijnych, a subsidiary of Mazovia's Marshall Office), which was the second level intermediate body.

Efficiency and Sustainability

In 2004, the Centre for Business Promotion and Entrepreneurship's loan fund was ZLT 1 million (approx. EUR 236,000) and the maximum loan size was up to ZLT 50,000 (approx. EUR 12,000). In 2010, the available capital grew through ESF funds to the amount of ZLT 9 Million (approx. EUR 2,120,000), resulting in the ability to provide more and larger loans of up to ZLT 250,000 (approx. EUR 60,000). Loans have been repaid on a regular basis allowing capital to be reallocated for new loans. At present (November 2017), the capital of the Centre's loan funds is already over PLN 10 million (approx. EUR 2,360,000).

In terms of supervision, the implementation of ESF financial instruments in the region is overseen by a steering committee, chaired by the managing authority, and includes all relevant regional intermediate bodies, including the Mazovian Unit for EU Funds Implementation, and financial intermediaries financed by the Operational Programme.

The collaboration had an initial timeframe from 2011-2016, but thanks to the success of the project and the intention of continuity from all project actors, the partnership was renewed.

Outcomes

Since the beginning of the fund's activity, the Centre has provided about 280 loans for more than PLN 17.5 million (approx. EUR 4,130,000), including 110 loans for start-ups. As part of the cooperation with the Marshal's Office, over 160 loans were granted in the amount of PLN 14.5 million (approx. EUR 3,400,000). Thanks to this cooperation, the fund nearly doubled the amount granted in loans. With this financial support, nearly 190 new jobs were created.

Lessons Learned

The Centre also provides advice and training for start-ups and entrepreneurs. These activities are as key to access finance and the success of the entrepreneurs' businesses. Thanks to the efficient management of the fund, the capital allocated to the fund using ESF resources is progressively growing, which allows the Center for Business Promotion and Entrepreneurship to reach a larger scale and bigger impact at the regional level.

In Practice: Success Story

Midgard tattoo is a tattoo and body piercing parlor that opened in the city of Sandomierz in 2008. The entrepreneur slowly but successively gained customers and strengthened his position on the local market. In response to customer demand, in 2014, the entrepreneur decided to expand his business to hairdressing, make-up and nail styling services. This involved moving the business to a larger

establishment, which is the reason why the entrepreneur requested a loan from the Centre to move to new premises and purchase equipment for this new branch. The loan was granted on the 19th November 2014 in the amount of PLN 60,000 (approx. EUR 15,000) for a period of 4 years. The average monthly instalment is PLN 1200 (approx. EUR 282). To date, the entrepreneur made all payments on time.



Further Readings

<http://www.opiwpr.org.pl/fundusz>

PROJECT CASH ON START



National Association for the Support of Entrepreneurship

Objective of Good Practice

The programme aims to deliver comprehensive support for entrepreneurial initiatives with the objective of raising the level of economic activity and employability while promoting innovation in microenterprises in the Mazowieckie Province.

Timeframe of Good Practice

2013 - Ongoing

Keywords

Financial and non-financial services, Structural Funds

Institutional profile	National Association for the Support of Entrepreneurship (KSWP) was established in 1995 to provide support for entrepreneurs. It provides professional training, monitors potential needs in this sector and cooperates with specialists in various fields
Type of Organization	NGO
Country	Poland
Products & Services provided	Financial: Business microloans, Business loans Non-financial: Entrepreneurship training
Gross Loan Portfolio	EUR 52,000,000 (As of Dec 2016)
Number of clients	10,000 (As of Dec 2016)
Target Audience	Rural population, Urban Population, Unemployed people or people on welfare, Disabled people, People excluded from the mainstream financial services
Organization Website	www.kswp.org.pl

Overview of Good Practice

The project Cash on Start targets unemployed and inactive citizens of Mazowieckie, Poland. It offers loans for entrepreneurial activity, with a wide range of purposes such as investment capital, turnover, as well as current operational costs, extension or modernization of production and intangible assets related to the project. The project has an initial implementation stage consisting of assistance, consultancy and support to entrepreneurs before distributing the loan. There is also a predisposition study of one hour for each beneficiary; furthermore, they have a personalized 4 hour coaching to help write their business plan. After the loan is granted, the personalized training continues and the applicant can select the area of interest between marketing, economics and taxes. These programmes are conducted in groups of 5 or more beneficiaries.

In terms of financial support, the maximum loan amount is PLN 50,000 (approx. EUR 11,700) with an interest rate of 0,5 % with no further fees or commissions. The repayment period is up to 60 months. The main requirements to access the program are to present the unemployment or inactive statement given by the government and to be a resident of the Mazowieckie Province aged between 18 and 64. KSWP was selected to carry out the project in 2013 and, under the funding agreement, the investment period was between 2013-2015. The total budget of PLN 5,873,030 (with 85% coming from European Social Fund – ESF - and 15% from national funding) was split between the investment fund (PLN 5,679,060 including fund management costs and fees up to a specified ceiling) and non-financial support services (PLN 193,970).

Innovativeness

This project is a successful example of cooperation between national and regional public/private institutions in the use of ESF funds to offer microcredit and non-financial services. Several bodies are involved with different roles and responsibilities: the managing authority (Ministry of Infrastructure and Development – MID) is ultimately responsible for the operation and implementation of the financial instrument to the regional government – the Mazovia Marshall Office, which was appointed as an intermediate body. This first level intermediate body delegated the responsibilities of selecting the financial intermediary (KSWP), contracting, monitoring, payments and settlements, controls, as well as information and promotion under the operation to the Mazovian Unit for EU Funds Implementation (Mazowiecka Jednostka Wdrażania Programów Unijnych, a subsidiary of Mazovia's Marshall Office), which was the second level intermediate body.

In terms of project delivery, KSWP focuses on adopting a customer oriented the point of view. This helps to better accompany the entrepreneurs with their needs and tasks. It also offers transitional financial support to help the entrepreneurs smooth their path from unemployed to employment.

Efficiency and Sustainability

The adoption of financial instruments as a way to channel structural and national funds for microfinance is a more efficient and sustainable alternative than the traditional grant-based financing. Due to the fact that the product was well-tailored to meet the specific needs of target recipients, access to microfinance has been progressively improved thanks to the efficient management of the funds and the additional non-financial support provided to the unemployed.

The implementation of ESF financial instruments in the region is overseen by a steering committee, chaired by the managing authority, and includes all relevant regional intermediate bodies, including the Mazovian Unit for EU Funds Implementation, and financial intermediaries financed by the Operational Plan.

Following the partnership framework, the monitoring and reporting of the project occurs on three levels. First, KSWP monitors, on a monthly basis and based on the loan agreement, the borrower's business activity status, loan use and repayments, as well as the training and advisory services. Second, under the funding agreement, KSWP sends quarterly performance reports to the second-level intermediate body. These detail the support granted and the final recipients served, including the number and value of loans, number of borrowers, management costs and any gains from treasury management. The second-level intermediate body controls implementation based on documentation. Third, the second-level intermediate body submits quarterly performance reports to the first-level intermediate body that informs the managing authority. The intermediate body controls implementation based on documentation.

Outcomes

After the end of the investment period (December 2015), the managing authority and intermediate body assessed the achievements of the scheme and decided to renew the project. The total amount of loans provided from the beginning of the project in 2013 until the end of 2017 has already reached PLN 9,000,000 (approx. EUR 2,120,000) and the number of loans reached 210.

Lessons Learned

The promotion of the financial instruments to the final beneficiaries is key for the success of the project. The financial instrument was marketed to potential final recipients by KSWP, who, apart from launching a website, held a series of meetings at the territorial Labour Offices with employees who were in direct contact with the target group. Cyclic meetings with the Development Ministry were also held twice a year. The financial instrument was advertised at job fairs, in local newspapers, through posters, leaflets and on the internet. At a later stage, information about the loans was spread by word-of-mouth, through the positive opinions of the new entrepreneurs and concrete investment examples. Support activities such as training courses, seminars, consultations are also advised to ensure the success of the project.

In Practice: Success Story

Cash on Start tries to incentivize innovative ideas and the business model presented by a beneficiary for a 3D printing business was strong. The project produced three-dimensional physical objects based on computer modeling

and used for promotional merchandise such as figurines of football players distributed after important events or matches.

BUILDING UP A BROAD FINANCIAL INTERMEDIARY LEVEL IN CHANNELING FINANCIAL INSTRUMENTS



Managing Authority for the Economic Development Operational Programme at the National Development Agency of Hungary

Objective of Good Practice

Set up of an extensive distribution network of financial intermediaries that offers financial instruments at favorable conditions to a wide range of businesses including microenterprises.

Timeframe of Good Practice

2007 - 2013

Keywords

Structural funds

Institutional profile	Managing Authority (MA) for the Economic Development Operational Programme at the National Development Agency, Hungary was responsible for the overall programme management of the Economic Development Operational Programme 2007-2013 (EDOP). EDOP was one of the sectorial operational programmes in Hungary co-funded by ERDF and the Hungarian government. EDOP included non-refundable and refundable assistance
Type of Organization	Government Body
Country	Hungary
Products & Services provided	Financial: Business microloans, Personal microloans, Business loans (>25,000), non-refundable financial assistance (grants). Non-financial: None
Gross Loan Portfolio	Combined product EUR 173.4 Million; Loan products EUR 353.7 Million. EUR 527 Million for entire project
Number of clients	7,820 clients in the combined scheme; 6,122 clients in the loan products. Altogether 13,942 clients
Target Audience	People excluded from mainstream financial services
Organization Website	https://www.palyazat.gov.hu/program_szechenyi_2020

Overview of Good Practice

The financial instruments in the Economic Development Operational Programme (EDOP) 2007-2013 targeted Hungarian micro and small-medium enterprises (SMEs), which had difficulties accessing finance. Due to the high level of transaction costs, high risks (lack of track records and/or collateral) and low profitability, the banking system did not serve SMEs at an adequate level although SMEs had many viable projects. The market inadequacy was further extended by the severe financial crisis from 2008. Beyond the financial instrument schemes with favorable conditions, the distribution network for these schemes was crucial in reaching targeted SMEs. Therefore, the Managing Authority set up a broad financial intermediary level involving different types of intermediaries. The Managing Authority (MA) for the Economic Development Operational Programme at the National

Development Agency, Hungary was responsible for the overall management of the EDOP 2007-2013. EDOP was financed from structural funds (ERDF) and co-financed by the Hungarian state budget. Financial instruments in EDOP were implemented through a holding fund structure. The Managing Authority entered into a funding agreement with a holding fund manager that was responsible for the daily management of the revolving funds in EDOP. The holding fund manager made agreements with financial intermediaries concerning the three products groups: loans, guarantees, and equity-type products. In the loan product group, 140 financial institutions were involved: 29 banks, 55 savings cooperatives and 56 microfinance institutions. These institutions were selected through open calls run by the Managing Authority and the holding fund manager.

Innovativeness

Relying on a broad financial intermediary base was an important factor in the success of the EDOP programmes between 2007 and 2013. The large number and the various types of financial intermediaries secured broad outreach in both geographic and social terms. The Managing Authority made it possible to involve savings cooperatives, financial enterprises and enterprise development foundations. These last two organisations brought in the highest number of contracts for the loan products under EDOP.

Outcomes

The broad financial intermediary contributed to the full absorption of funds allocated to loan products under EDOP 2007-2013. In total, close to 14,000 loan contracts were issued to SMEs (including the microloan contracts under the combined grant and microloan scheme). This result drastically reduced the access-to-finance barrier of SMEs and eased the shortage of credit facilities during the years of the financial crisis.

Efficiency and Sustainability

Financial intermediaries received funds based on the calculation of their financial strength. They could make loan decisions up to the volume of what was financially received. If the financial intermediaries were successful in disbursing their full financial allotment, they could receive new allocations for distribution.

The large number of intermediaries added to the administrative workload and also needed close monitoring and good underlying IT on behalf of the Managing Authority and the holding fund manager. However, the programme results, in terms of the number of reached microenterprises and SMEs, justified this approach. The system contributed to efficiency in the sense that the involved non-banking institutions were embedded into their local and regional communities and could therefore easily reach non-bankable but creditable clients.

Efficiency and Sustainability

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Lessons Learned

The broad financial intermediary base included non-banking financial institutions (particularly enterprise development foundations and some financial enterprises) that had a long track-record dealing with local business actors, specifically micro- and small enterprises that were not served by banks. These intermediaries used their experience to reach these enterprises with the loan products of the Managing Authority. On the other hand, it is important to note that the IT and reporting systems of the 140 financial institutions varied to a large extent and made reporting standardized data on the loan products to the Managing Authority a major challenge.

PROGRAM "CREDIT TO SUCCESS"

The Croatian Ministry of Business and Crafts



Objective of Good Practice

Offer entrepreneurs and microenterprises cheaper credit lines by subsidizing interest rates.

Timeframe of Good Practice

2014 - 2015

Keywords

Successful Partnership, Financial Services

Institutional profile	The Croatian Ministry of Business and Crafts performs administrative and other tasks related to SMEs, crafts and cooperatives. It also works on the promotion of exports and foreign investment, the improvement of competitiveness of SMEs and balances regional development of entrepreneurship
Type of Organization	Government Body
Country	Croatia
Products & Services provided	Financial: Business microloans Non-financial: None
Gross Loan Portfolio	N / A
Number of clients	N / A
Target Audience	Entrepreneurs who want to expand their business
Organization Website	https://www.mingo.hr

Overview of Good Practice

In the framework of the country wide programme "Credit to Success", the Croatian Ministry of Business and Crafts (MINPO) developed a partnership with financial intermediaries and local administrations to offer affordable loans to microenterprises. In the framework of this partnership, MINPO and local administrations provide the funds to subsidize microloans while the financial institutions are in charge of assessing proposals received from the microenterprises and the disbursement of the loans. The Programme offers a 5% interest rate subsidy from the ministry off from the 8% that commercial banks typically charge microenterprises. In some

regions, the further involvement of regional and local administrations allows for more interest rate reduction. In terms of products features, the loans offered under this program range from EUR 4.000 to 26.000 with a 3% maximum interest rate (reduced to 2% in case of local administrations involvement). The repayment period up is up to 4 years including a 6-month grace period. Eligibility criteria are the same as traditional loans and were established by the Croatian agency for SMEs in cooperation with MINPO. The subsidy component helps the main target group since many microbusinesses operating in Croatia cannot bear the market interest rate.

Innovativeness

The partnership framework includes national, regional and local administration involvement with traditional financial institutions. This ensures the possibility for local government and cities to join the program and ensure more favorable conditions to clients. In addition, in spite of the presence of multiple programme partners, a 1 stop shop approach has been adopted.

Efficiency and Sustainability

This program lasted for a year and ended in 2015. Nevertheless, thanks to its good results and number of entrepreneur applications, there is a possibility for the programme to be renewed.

Outcomes

1.500 loans were disbursed in the year of the program. The total budget allocated by the MINPO for the programme was EUR 40 million.

The county of Koprivnica Križevci contributed to this program by ensuring a 1% additional interest rate subsidy, so instead of 3%, local entrepreneurs paid only an interest rate of 2%.

Lessons Learned

The key lesson learned from implementing this programme is that cheaper credit lines established by subsidizing interest rates can be highly motivational for entrepreneurs. The good results of the programme indicate that the Good Practice can be replicated in other locations.

SET UP OF THE FIRST ETHICAL BANK IN CROATIA BY THE COOPERATIVE FOR ETHICAL FINANCING



Cooperative for Ethical Financing

Objective of Good Practice

To support microenterprises that are rejected by traditional banks through the establishment of an Ethical Bank in Croatia using the European Social Entrepreneurship Fund

Timeframe of Good Practice

2014 - Ongoing

Keywords

Successful Partnership, Structural Funds

Institutional profile	Cooperative for Ethical Financing is a legal entity established on April 22, 2014 and brings together physical and legal persons interested in development of the economy based on democracy, social responsibility, transparency and solidarity. In addition to interested individuals, members of the Cooperative are companies, cooperatives, crafts, family farms, associations, trade unions, local action groups, local self-government units and development agencies
Type of Organization	Cooperative
Country	Croatia
Products & Services provided	Financial: Business microloans, Personal loans Non-financial: Financial education, Mentoring, Support services to social entrepreneurs
Gross Loan Portfolio	N / A
Number of clients	N / A
Target Audience	People excluded from the mainstream financial services
Organization Website	http://zef.hr/ https://www.ebanka.eu/

Overview of Good Practice

The Cooperative for Ethical Financing (ZEF) was created in 2014 with the primary goal of establishing the first ethical bank in Croatia to provide loans to people that are willing to start a business but are excluded by the traditional financial system. ZEF was financed through the European Social Entrepreneurship Fund (EuSEF) with loan and equity contributions from the European Commission. The main objective of the EuSEF is to finance investments in the social economy, which includes the implementation of social entrepreneurship initiatives. The ZEF includes more than a hundred physical and legal persons (e.g. companies, cooperatives, associations, trade unions, local governmental bodies, municipalities' development agencies, etc.) who operate across regions that decide on all important issues related to the work of the cooperative and elect and dismiss the members of the managing body. All ZEF members are also co-owners of the total assets of the cooperative, and therefore, of the ethical bank set up by ZEF as well.

ZEF's main goal was the creation of the Ethical bank "ebanca", which is a solidarity organization that provides accessible financing conditions, advisory services and active risk mitigation to its clients. Clients can receive a loan only for income generating ideas, and as a means to avoid over indebtedness, it is not possible to receive a consumer credit. All profit that is gained through interest rates is re-invested in social goals and projects of the bank. ZEF is currently operating in 6 offices throughout Croatia where all potential clients can get the necessary information about "ebanca" and loan possibilities with a maximum interest rate of 4 %. No guaranty is requested from micro entrepreneurs and there are no currency clauses. Microloan provision is complemented with non-financial services such as mentoring and long-term support services to social entrepreneurs, as well as the sharing of the IT platform for project monitoring/management etc. Non-financial support to the micro entrepreneurs is provided through the ZEF network across Croatia.

Innovativeness

The cooperative approach to financial inclusion is innovative because it offers various types of financial instruments such as loans, crowdfunding between members and the possibility to invest in other member's projects and thus enhance the networking and business environment. Furthermore, members can open a savings account that is encouraged through the payment of higher interest rates, or clients can "save" by investing in projects from the Ethical bank. Clients don't pay any bank fees and account maintenance is completely free. Proactive risk mitigation is also ensured through non-financial support and IT support in the form of open-source solutions designed for clients (e.g. project monitoring).

Efficiency and Sustainability

The cooperative has a wide membership base and has been steadily growing. Although profits are not the main goal of the Ethical bank, more members lead to more possibilities for development and investments in other socially responsible projects. In this bank, crediting is in service of people and their ideas, and not the other way around. All profit gained through the day-to-day business is put into cultural, social and ecological projects that are useful for the entire community. The belief is that people will recognize the long-term benefits and join the Ethical Bank.

In order to ensure financial equilibrium and incentivize long-term commitment from members, the ratio for crediting (amount of loan) is 1:8 on the invested membership fee. Furthermore, the member base includes local and regional administrations that can directly support the disbursal of loans at more favourable conditions.

Outcomes

The Cooperative bank has reached 1,300 members and has financed a wide range of activities, from agriculture to architecture projects, development in the IT sector, media, and food production to name a few.

Lessons Learned

Given how regional or governmental involvement helps to issue credit at more favorable conditions, the goal in the future is to increase this kind of membership to provide more capital and subsidy of the interest rate. Furthermore, members feel that in this way, they contribute to the development and better life quality for the entire local community. This concept is easily transferable and there are already some countries and regions interested in developing their own Ethical Bank (e.g. Slovenia and Greece).

ZALAEGRSZEG CREDIT SUPPORT PROGRAM

Zala County Foundation for Enterprise Promotion



Objective of Good Practice

Establish a successful partnership between MFIs and the Mayor's Office with the main objective of lowering interest rates on microloans.

Timeframe of Good Practice

2015 - Ongoing

Keywords

Partnership in the delivery of loans

Institutional profile	Zala County Foundation for Enterprise Promotion (ZMVA) has been established by the Zalaegerszeg County Self-government, as its sole founder in 1992. Its objective is to promote the economic development of Zalaegerszeg County, to support the establishment, survival and first of all the growth of micro and small enterprises by operating a central promotion office and a county-level sub-office network
Type of Organization	Foundation
Country	Hungary
Products & Services provided	Financial: Business microloans. Non-financial: Mentoring and Coaching
Gross Loan Portfolio	EUR 7,812,132 (As of Dec 2016)
Number of clients	623 (As of Dec 2014)
Target Audience	Unemployed people or people on welfare, Youth, Micro and Small enterprises
Organization Website	http://www.zmva.hu

Overview of Good Practice

The Credit Support Program was developed as an initiative of ZMVA, who initiated a partnership with the Mayor's Office of the town Zalaegerszeg to efficiently direct municipal money to support microenterprises through microfinance. The inclusion of this governmental partner ensures a subsidy that enables ZMVA to offer microloans at favorable conditions (lower interest rate) to entrepreneurs of the 60,000 inhabitants in the city of Zalaegerszeg.

This partnership supported one of the Mayor's most important objectives: the creation of a strong microenterprise sector, seeing it as an efficient way to reduce unemployment, increase consumption and develop the local infrastructure. The project's contract runs from 2015-2019 and has an available budget of 50 Million Forint (approx. EUR 160,000) for the partnership framework, 10 Million Forint per year.

In the framework of the partnership, the municipality

disburses the amount of the interest difference directly to the MFI, approx. 2-3% for entrepreneurs under 35 years of age, so the foundation is able to provide the microloans at 1-2% interest rate to the final beneficiary. The target population of this product are young entrepreneurs and entrepreneurs that invest in the local area. ZMVA also complemented this service with tailored coaching and mentoring in order to support entrepreneurs beyond financial support to ensure a greater number of successful cases.

In terms of eligibility, the application criteria requires that the microenterprise be officially located in Zalaegerszeg since the programme is a local initiative. Furthermore, the microenterprise staff should not exceed 9 persons and the annual net income of the enterprise should not exceed EUR 2 Million.

Innovativeness

The partnership framework between MFI and municipality allows the provision of microloans at better conditions for young entrepreneurs and microenterprises. It is also a good way for government to support microfinance.

Another innovative tool of this program is the 'one-stop-shop' approach. Entrepreneurs eligible for loan disbursement with reduced interest rates funded by the municipality only have to deal with ZMVA to handle the paperwork. Furthermore, for the entrepreneurs, there is an incentive to invest in the local area, which drives economic development in the city.

Outcomes

The partnership went into effect in 2015, and during its first year of implementation, 28 microenterprises were financed in the amount of EUR 668,866, of which EUR 3,303 was the subsidy component. During 2016, 15 new microenterprises participated in the program: EUR 238,329 in loan amount and EUR 8,650 in interest rate subsidy.

78% of the microcredits were distributed to the service sector; the rest of the portfolio, by order of size, are: commerce, industry, tourism and agriculture. The purpose of the loans are mostly for purchase of property, cars and equipment.

ZMVA found that the subsidy fund is appropriate in size, had no repayment problems and was a politically marketable product. As a result of the program, 3 companies decided to set quarters in Zalaegerszeg in order to benefit from it.

Efficiency and Sustainability

This practice is cost efficient thanks to task distribution. The Mayor's Office wants to invest public money in a productive way while also offering an incentive to spend the money locally to encourage a favorable local economic scenario. The MFI takes ownership of the loan disbursement, which does not exceed more than 15 days and offers non-financial services.

In addition, the Mayor's Office supervises the activity through regular reporting of the MFI, where they detail the number of clients in the program and the performance of the loans to ensure that public money is spent efficiently. Given the good results obtained, there is the possibility to ensure continuous support for the next 5 years (2020-2025).

Lessons Learned

This kind of partnership can be an effective framework to involve city councils in microfinance initiatives. Through this partnership, the city council can support local enterprises to ensure an efficient use of public money by institutions specialized in the delivery of microloans. This is the reason why the program can be easily replicated in other regions. In this respect, given the fact that geographical scope of the initiative is restricted, one key to success is to replicate it in areas with enough market potential. Another key role for the municipality is the promotion of the initiative at the local level. Strong cooperation with the MFIs in the area is important to ensure the success of the initiative.

Before launching the programme, a preparation phase and fine-tuning of the product are key as negotiations and arrangements with the local government take a long time.

In Practice: Success Story

Nikoletta Biró is one of the most successful cosmetic entrepreneur in city of Zalaegerszeg. The strong relationship with her customers greatly contributes to the success of her business. She took a loan from Zala County Foundation for Enterprise Promotion and renovated her cosmetic salon. Three years later, she opened a new

salon where she provides a more aesthetic, comfortable and spacious environment for her customers. She chose ZMVA because - in addition to its flexibility - the interest rates on microcredits were more favorable than the bank, in part thanks to the subsidy of city of Zalaegerszeg.

Further Readings

<http://www.magymikrofinanszirozasinap.hu/index.php/hu/zala-megyei-vallalkozasfejlesztési-alapítvány-kavelabor/>
<http://www.magymikrofinanszirozasinap.hu/index.php/hu/zala-megyei-vallalkozasfejlesztési-alapítvány-kozmetika/>



Good Practices on Innovation of Products



STRENGTHENING VULNERABLE MICRO-ENTERPRISES THROUGH MICROINSURANCE: THE ADIE EXPERIENCE



ADIE

Objective of Good Practice

Strengthen and secure client initiatives by protecting individuals and their professional assets in the event of theft, an accident or illness and securing their business partners (third-party liability insurance)

Timeframe of Good Practice

2014 - Ongoing

Keywords

Microinsurance

Institutional profile	Through its 117 branches and 360 contact points, ADIE covers the whole French Territory (including overseas territories). ADIE offers financial services (business loans and insurance plans) to unemployed people who, despite their lack of access to traditional banks and other financial services providers, plan to start up a micro-business or develop an existing one in France. ADIE is also offering consumer loans to people who need small funding to facilitate acquisition of job opportunities or continuation of work
Type of Organization	NGO
Country	France
Products & Services provided	Financial: Business microloans, Personal loans, microinsurance Non-financial: Mentoring, training and formation courses
Gross Loan Portfolio	EUR 134,5 Million
Number of clients	51.026
Target Audience	People excluded from the mainstream financial services, urban population, rural population, youth and women
Organization Website	http://www.adie.org

Overview of Good Practice

ADIE's microinsurance programme was developed in partnership with two insurers (AXA and MACIF) through a co-insurance scheme. Both AXA and MACIF assigned a dedicated pool of their employees to handle the back office for all contracts signed under the agreement with ADIE. The programme also involves all of ADIE's credit officers who are in charge of the front office, namely the distribution of microinsurance plans to their clients. ADIE has introduced four insurance products to address its clients' needs: basic public and product liability, property with premises protection, property without premises protection and motor insurance. Insurance services are available to most micro entrepreneurs accessing Adie's business loans. Nonetheless, compared to the average profile of ADIE's clients, the insured clients are characterised by a higher proportion of women compared to the gender distribution among ADIE's clients (46%

versus 37%), have a higher financial vulnerability and lower educational background. In other words, microinsurance services are of great relevance to the most vulnerable entrepreneurs: youth without prior insurance record, illiterate people, customers coming from foreign countries who live in communities (who are usually reached through a group lending methodology) and ethnic minorities. Client needs were assessed through a survey of 600 clients on their risk perception and knowledge of insurance-related regulations. The assessment found that acquiring suitable insurance for professional activities was a challenge. Clients reported a lack of awareness of professional risks, difficulties accessing an appropriate offer from insurance companies, and pricing-out due to high costs. As a result, insurance plans were designed to address Adie's clients' needs. Dedicated contract subscription and management rules were also elaborated.

Innovativeness

Adie's microinsurance program demonstrates innovation on several aspects:

- Partnership with insurers to deliver services rather than providing only financial support based on social corporate responsibility budgets;
- Services addressing clients' exposure to recurrent risks that allow the MFI to focus on vulnerable clients; and,
- New area of skills for MFI staff at the branch and headquarters levels.

Efficiency and Sustainability

The creation of microinsurance products is easily adaptable to other contexts. Using the partnership framework, MFIs can work with existing insurance companies to design insurance products based on client needs. Moreover, staff training, resource allocation, and stakeholder management are all strategies that can be transferred to other organisations seeking to provide microinsurance to clients.

To reduce management costs, payment is due on an annual basis. Given the low cost of the premium, some beneficiaries go for direct payment while others obtain an "insurance microloan" from ADIE, which they reimburse on a monthly basis. The business model of the programme is rooted on the assumption that direct operating costs could be partly covered by portfolio-generated incomes. In other words, the programme is implemented on a cost-covering basis even though insurers do not expect any profit from this activity. ADIE receives a participation fee based on the annual portfolio income from the insurers that covers a portion of the distribution costs. Development costs (plan designs, staff training, and communication) and partnership management costs are considered as the insurers' contribution in the framework of their corporate social responsibility. As part of its headquarters' "overall costs", ADIE supports its programme management costs.

Outcomes

After a four-year pilot period to design the product and process, develop training modules, and adapt the information and management systems, the microinsurance offer was extended nation-wide in mid-2013. As a result, enrolments increased progressively. As of late December 2017, 11.439 contracts had been subscribed and the portfolio reached 4.778 active contracts. The proportion of insured clients is progressing steadily, reaching up to 50% of new eligible clients in some branches. In 2014, programme partners conducted a detailed survey on subscription and satisfaction, and findings show 2/3 of respondents declared they had a basic understanding of insurance requirements and 97% of respondents find ADIE's microinsurance

programme relevant.

With a loss ratio below 70%, technical results of the portfolio show that micro entrepreneurs with access to micro-finance services are not a "bad risk" for insurers. This is a key pillar for the sustainability of the program.

Thanks to strong investments in staff training and supervision, Adie is developing new skills that promote new services development with the existing partners or other insurers.

Lessons Learned

During the last 4 years, the delivery of micro insurance services has increased dramatically. This was possible through intensive staff trainings and field support. Focusing on services that can be embedded in the existing financial services sector can also facilitate the development of micro-insurance services.

Examples include: Insurance products for professional goods, public liabilities and premises protection for small entrepreneurs requesting credit services to finance assets and access to premises or auto insurance for clients looking for a credit to purchase a means of transportation. Moreover, the delivery of products that provide real advantages to clients (either in terms of services or price) and the proposition of exclusive services that are offered only to MFI's targeted beneficiaries will ease product ownership at the credit officers' level. Practically, it is of utmost importance to have simple product features and enrolment processes so as to limit the additional "face to face" time with clients and thus, to minimize micro-insurance distribution costs.

In Practice: Success Story

Lyazid, 35, Hairdressing salon in Rouen

"Following the burglary of my hairdressing salon, I called my ADIE advisor, who gave me the number of the insurance to call in case of an accident. During the call, the insurance asked me to send them the original version of the complaint registered at the police station, and the invoice for the replacement of the shop front window. I

also sent them the quote for the front window fitting. I sincerely thought that this process was going to take at least a month. But I received the total reimbursement (invoice plus quote) minus the deductible amount of 200 euros only ten days after having sent the papers. I can only be satisfied with the way my enquiry has been handled from start to finish."

Further Readings

["Case Study: Strengthening vulnerable micro-enterprises through microinsurances: The ADIE experience"](#)

COOPFIN MICROCREDIT TO COOPERATIVES' MEMBERS



COOPFIN

Objective of Good Practice

Reinforce the asset of small cooperatives through the financing and contribution from its members

Timeframe of Good Practice

2001 - 2013

Keywords

Partnership, Financial Products

Institutional profile	COOPFIN was set-up in the 1990's, following a public-private agreement between the cooperative business associations (partners of the company) and the Sardinia Region. Sardinia Region provided COOPFIN 30 Million EUR to support cooperatives with loans and equity. Established in Sardinia, COOPFIN is currently the only MFI specialized in the cooperative market at the national level
Type of Organization	Non-Bank Financial Institution
Country	Italy
Products & Services provided	Financial: Business microloans Non-financial: Entrepreneurship training, Mentoring
Gross Loan Portfolio	EUR 13.5 Million (As of December 2016)
Number of clients	520 (As of December 2016)
Target Audience	Rural population, Urban Population, Unemployed people or people on welfare, Women, People excluded from the mainstream financial services, Cooperatives
Organization Website	www.coopfin.it

Overview of Good Practice

The cooperative movement was born in Sardinia, Italy, towards the end of the 1990s, and it represents one of the most significant aspects of the region's economic and social progress. Today, cooperatives are an important actor in the regional system, especially for sectors such as agriculture, fishing, agri-food, services. In the 1990s, COOPFIN was set-up following a public-private agreement between the cooperative business organizations (partners of the company) and the Sardinian regional government. During this period, COOPFIN received some EUR 30 Million of regional funds to support cooperatives through loans and equity investments. Yearly reports are sent to the Sardinian regional government regarding how funds are employed and the president of the auditor's committee is periodically appointed by the regional government. From 1998 to 2014, COOPFIN financed nearly 800 cooperatives and members of cooperatives through loans, including 600 microfinance interventions under EUR 25,000. An additional 20 cooperatives were financed by equity. At the end of 2016, following the recent Italian banking system reform, COOPFIN was recognized by Bank of Italy as a Microcredit Operator. COOPFIN specialises in the cooperative market and has developed a unique methodology to reach and

properly serve this target group. The thin capitalisation of micro cooperatives is one of the main constraints to growth due to the low financial capacity of cooperative members and their difficulty to access traditional credit channels. For this reason, from 2001 to 2013, COOPFIN implemented this initiative to reinforce the assets of small cooperatives through the provision of microcredits to cooperative members. The project was operationalized through this channel since increasing the capital of cooperatives can only be done by the members. The program has the following characteristics: i) microloans up to EUR 10,000 to each member transferred to the cooperative in a unique solution; ii) payback period: 7 years with 2 year grace period; iii) 5% fixed interest rate iv) ex-ante and ex-post non-financial services provided by the cooperative business organisations. The integration between the financial services provided by COOPFIN and the non-financial services provided at the local level by the cooperative business organisations has been the key-factor for the success for the program. The 10 offices of the cooperative business organisations throughout the Sardinian territory allowed them to closely follow beneficiaries.

Innovativeness

The main innovation is the provision of non-financial services to the beneficiaries, which are the micro cooperatives, both before the provision of microcredit and during the repayment phase. Moreover, the services were provided face-to-face to facilitate a direct personal relationship between the tutor and the beneficiary. Furthermore, financing to small local cooperatives is a target in itself, an innovation which extends credit to an often unsupported market.

Efficiency and Sustainability

The project has demonstrated sustainability on the condition that the non-financial services are integrated into the cooperative business organisation system, where other paid services (e.g. accounting and tax services) are provided to beneficiaries and a membership fee is due.

Outcomes

600 members of cooperatives have been financed by micro-loans from 2001 to 2013, in an amount of some EUR 5 Million. These cooperatives are mainly in the services sector. The results of this program provided the model to start the new phase of COOPFIN activity in 2016 as Microcredit Financial Institutions under the new Italian legal framework.

Lessons Learned

Monitoring and tutoring helped overcome "information asymmetries" and reduce the financing risk and default rate. The empowerment of the loan beneficiaries has been critical to success and the availability of non-financial services has proven to be important, as many beneficiaries need professional support to develop their business optimally.

The microcredit activity is carried out within the new Italian legal framework, for both the granting of loans and the provision of non-financial services. The scheme can be transferred to other areas, especially those with similar business models, but it is extremely important that a network of business support associations/organizations is already fully operational as they ensure the sustainability of non-financial services.

In Practice: Success Story

“Piccoli Passi” is a type A social cooperative born in 2007, thanks to the will of some social workers who turned their passion into a work project. At the beginning, the cooperative was mainly committed to social tourism as well as homecare and educational activities, particularly addressed to disabled and socially disadvantaged youth. Thanks to the commitment of its members, and with the support of COOPFIN, in 2015 the cooperative transformed into a type B social cooperative, pursuing its social goal through the creation of job and social opportunities for disadvantaged people. Indeed, “Piccoli Passi” deals with the reintegration of disadvantaged workers into the labour market, creating employment opportunities in favour of the so-called weaker categories. In fact, it manages a bar-grill,

beach services and sport activities in the location of Porto Ferro in the northwest of Sardinia (Blue Flag award in 2016). The social aspect of the cooperative is reflected in the activities developed at the service of local community: they promote ethical and social values, above all cooperation, focusing on disadvantaged people through work reintegration and local territory (e.g. supporting sustainable and accessible tourism, networking with other social cooperatives, collaborating with local producers for food supply). This way, it happens that disabled students or graduates (Hospitality Training Institute) work at the bar; foodstuff comes from local producers (sometimes, cooperatives for job placement); maintenance work is carried out by prisoners and people in a work placement phase after a detention period.



Further Readings

[Piccoli Passi Webpage](#)

CEEI BURGOS RISK ASSESSMENT METHODOLOGY



CEEI Burgos

Objective of Good Practice

Develop a risk assessment methodology that allows the disbursement of business microloans without asking for guarantees/collaterals.

Timeframe of Good Practice

2013 - Ongoing

Keywords

Loan Assessment Technology

Institutional profile	CEEI Burgos is an Incubator and Business Centre that provides assistance by supporting and implementing business projects emerging from the entrepreneurial spirit of the citizens of Burgos, whether they involve companies or self-employed people. It was founded in 1994 as a tool that specializes in local development under the model, quality criteria and sponsorship of the European Commission, and promoted by regional and local organisations and institutions with a strong commitment to boost the social and economic development of Burgos
Type of Organization	Business Incubator
Country	Spain
Products & Services provided	Financial: Business microloans Non-financial: Entrepreneurship training, mentoring
Gross Loan Portfolio	EUR 1,097,354.88 (As of June 2017)
Number of clients	59 (As of June 2017)
Target Audience	Rural population, Urban Population
Organization Website	http://www.cceiburgos.es

Overview of Good Practice

In the framework of a partnership with the Province of Burgos, CEEI offers business microcredit to micro entrepreneurs and small enterprises mainly located in rural areas. Following its involvement in an Interreg project called DIFASS, CEEI Burgos developed an ad hoc risk assessment methodology. Implemented and tested for over 5 years, the methodology allows CEEI Burgos to serve rural entrepreneurs without asking collateral, while maintaining high quality portfolio with 98,30% of survival rate of the projects funded. Business microloans offered by CEEI Burgos are up to EUR 25,000 (including EUR 5,000 of working capital) and have a 4 year maximum duration including an optional grace period of 6 months. The interest rates range from 1,5% to 3% with no other fees charged and no guarantee is required.

On the one hand, this last feature supports the financial inclusion of rural microenterprises, but on the other, if it is not backed by a sound risk assessment methodology, it can put the sustainability of the microcredit institution at stake due to defaults. In order to maintain high portfolio quality, CEEI Burgos developed a risk assessment methodology that follows a comprehensive approach based on the combination of a wide range of evaluation techniques (including risk ratio, structural operational analysis, credit officer assessment and negative credit record). The methodology has been tested and fine-tuned on the specific features of rural entrepreneurs by taking the characteristics of the local context into consideration.

Innovativeness

The loan assessment approach is based exclusively on both the project and the applicant themselves, excluding external guarantees/collaterals. It targets the needs of rural population and financially excluded entrepreneurs while maintaining a PAR30 of 1,7% and shows outstanding results with regard to the survival of the businesses financed.

Outcomes

Since its inception in January 2013 until June 2017, 120 applications were received of which 59 were approved for a total amount of EUR 1,097,354. The survival rate of the financed projects is 98,30%. Furthermore, 89 jobs were created and 81 were consolidated. All of the financed projects were for microenterprises that were from the approved projects. 41,53% of them were start-ups and 58,18% were other types of beneficiaries such as self-employed. Just 10% of the loans are requested for working capital; the rest fund fixed assets. The incredibly low number for the non-performing portfolio (1,7% as of June 2017) stresses the efficiency of the assessment methodology developed.

Efficiency and Sustainability

This product has maintained itself in the long run since it addresses a specific market niche. The practices are regularly reviewed and there is an intention to include every economic sector to attract and retain young people in rural areas. Entrepreneurs are also welcome to participate in the business incubator when they need further advice or guidance. This close relationship with the beneficiary is a main factor in the success of the program. Sound risk management ensures the long-term sustainability of the institution and the reuse of the capital reimbursed to disburse new loans.

Lessons Learned

This practice highlights the feasibility of collaborating with the Public Administration in an efficient way and furthermore, the importance of methodological approach.

In Practice: Success Story

Sonia Para is the Commercial Director of Pinacas a family business founded in 1994 that now is administered by its fourth generation and is located in the industrial park of Quintanar de la Sierra in Burgos. The business works in the mining of natural stone from quarries and their elaboration to use it in buildings, facades, pavements or renovation. The Para family have been beneficiaries of the CEEI Burgos programme.

Sonia Para – Pinacas – Quintanar de la Sierra

Javier González is the manager of the hostel "Rosalia", a new business founded in the 21st of March 2016. This hostel is targeted towards the pilgrims of The Way of Saint James and it is located in 500 years old house where a king used to live. They receive the pilgrims and offer basic instalments for them to rest.

Mr. González has been beneficiary of the CEEI Burgos programme.

Javier González – Albergue Rosalía – Castrojeriz

COMBINED GRANT AND MICROCREDIT SCHEME STRUCTURE



Managing Authority for the Economic Development Operational Programme at the National Development Agency of Hungary

Objective of Good Practice

A combined grant and micro-credit scheme was created to address the lack of tailor-made products for microenterprises in Hungary that make use of the structural funds.

Timeframe of Good Practice

2011 - 2013

Keywords

Financial Products, Structural Funds

Institutional profile	Managing Authority (MA) for the Economic Development Operational Programme at the National Development Agency, Hungary was responsible for the overall programme management of the Economic Development Operational Programme 2007-2013 (EDOP). EDOP was one of the sectorial operational programmes in Hungary co-funded by ERDF and the Hungarian government. EDOP included non-refundable and refundable assistance
Type of Organization	Government Body
Country	Hungary
Products & Services provided	Financial: Business microloans, Personal microloans, Business loans (>25,000) Non-financial: None
Gross Loan Portfolio	EUR 173.4 Million
Number of clients	7,820 clients
Target Audience	People excluded from mainstream financial services
Organization Website	https://www.palyazat.gov.hu/program_szechenyi_2020

Overview of Good Practice

In the framework of the Economic Development Operational Programme (EDOP) 2007-2013, the Hungarian Managing Authority designed a combined grant and microcredit scheme intended specifically for microenterprises and channeled through selected financial intermediaries (mainly development foundations, NBF and saving cooperatives). The scheme included non-refundable and refundable financial assistance and was financed via structural funds (ERDF). The financial assistance could be used for technology modernization, purchase of machinery, IT development, business infrastructure (real estate) purchase and development.

The primary target group were microenterprises that had difficulties to access finance and had limited funding to cover their own contribution for their projects. In terms of scheme structure, the total eligible costs of funded projects included a mix of personal resources, microloan and non-refundable grant. Personal resources could not go below 10%, the non-refundable grant could not exceed 45% and the microloan had to be bigger than the non-refundable part but less than the maximum of 60%. Concerning project size, the non-refundable grant could range from EUR 3,300 to EUR 33,000, whereas the microloan could range from EUR 3,300 to EUR 65,400.

Innovativeness

This was the first scheme in Hungary to combine non-refundable and refundable financial assistance for projects funded from ERDF. In the application phase, the scheme offered a one-stop-shop (single application by SMEs for both the grant and the loan). The beneficiaries committed themselves to incur 50% of the grant volume as wage related costs within 2 years following project completion, a commitment that emphasizes the employment and job creation objective.

Outcomes

During the time the product was available, 2011-2013, the combined scheme proved highly successful. The total number of contracts was 7,820 and the contracted microloan volume amounted to 173.4 million. The original financial frame was increased multiple times before the scheme was suspended. The scheme showed that grants could be effectively combined with loans.

The beneficiary monitoring reports indicate that as a result of the scheme, 11,673 jobs were created.

Efficiency and Sustainability

One of the objectives of the combined scheme was to make microenterprises familiar with financial instruments, which gained ground in the succeeding years. The combined scheme supported the transition of the main target group from grants towards the use of financial instruments, allowing the Managing Authorities to progressively increase funds available to support a larger number of microenterprises. Using this practice, the Managing Authority launched an increasing number of combined schemes in the 2014-2020 financial period in the frame of the Economic Development and Innovation Operational Programme. These schemes strongly build on the structure and procedures of the 2011-2013 combined scheme. Recently, further improvements have been made concerning procedures (joint, unified procedures for grant and loan legs instead of parallel procedures).

Lessons Learned

The implementation was preceded by a long preparation period due to the complexity of the scheme, and the large number of involved actors set challenges for the Managing Authority. Procedures (deadlines, underlying IT) and requirements (e.g. project selection criteria) of the participating intermediaries in project selection, contracting, monitoring, disbursement, etc., had to be harmonized between the grant leg and the loan leg. Furthermore ERDF regulations had to be fully respected. This required a lot of effort both from the Managing Authority and the various intermediary organizations. The upfront workload was underestimated and, therefore, the first launch of the product was delayed. As a result, one recommendation is to provide ample preparation before the launch of such an instrument.



Good Practices on Technological Innovation



FEA'S ENTREPRENEURSHIP PROMOTIONAL TOOLS



Fejér Enterprise Agency (FEA)

Objective of Good Practice

Help young entrepreneurs gain real-life knowledge and skills to start or grow their business through an e-learning platform and student entrepreneurial contest

Timeframe of Good Practice

2013 - Ongoing

Keywords

Non-financial services

Institutional profile	Fejér Enterprise Agency (FEA) was established in 1991 as a 47 member non-profit with a mission to provide high-level, easily accessible financial, advisory and training services in Hungary to start-ups and existing micro and small enterprises operating in the Transdanubian region and enable them to improve their financial, social and living conditions. Focus is placed in BDS, training for entrepreneurial knowledge and MC for enterprise financing
Type of Organization	NGO
Country	Hungary
Products & Services provided	Financial: Business microloans Non-financial: Entrepreneurship training, Financial education, E-learning courses
Gross Loan Portfolio	N / A
Number of clients	3,550
Target Audience	Rural population, Urban population, Youth (18-25 years old)
Organization Website	http://www.rva.hu

Overview of Good Practice

Through the website www.vallalkozastan.hu, FEA offers online training for entrepreneurs and business students. Subjects include a business plan compilation and a practical introduction to credit applications. There is also access to other training websites, www.fiatalvallalkozok.hu and www.albacourse.com, that offer training on additional topics such as starting a business, taxation, accounting, marketing and online loan application. FEA also offers a print-out book "Vállalkozástan" (Entrepreneurial studies) that complement the on-line course. The aim of these trainings is to transfer practical knowledge and business skills that students may not receive at school. To access the service, users need to register on the website where they receive the materials for the e-learning course free of charge. There is no special software requirement,

and the modules can run from an internet browser. The student entrepreneurial contest aims to promote entrepreneurship among students between 14-18 years of age. Participants of the competition get involved in a series of interesting and innovative exercises, e.g. shooting a video about a business idea, simulating a business environment and on-line team games. Thus, the competition realizes the "learning by playing" principle, allowing young students to acquire up-to-date business skills and basic knowledge on entrepreneurship. The competition is organized and managed through the www.diakvallalkozo.hu website. Contestants apply and upload their portfolio on-line. Part of the final round is run on-line and the judging system is also managed through the website.

Innovativeness

Materials are developed in an interactive/user friendly through an easily accessible website to better reach the target population and are created using the most recent tools and developments of e-learning. Since the material is generated by FEA experts, there is constant development and updates to the training materials that include video, interactive tests and tutorials. This is a cost efficient approach to design up-to-date trainings for young entrepreneurs that cannot invest much time or money to improve their capacity and managerial skills.

To meet high qualitative standards, FEA has developed international partnerships in the delivery of the trainings and in the development of curricula (e.g. partnership with the University of Cadiz).

Efficiency and Sustainability

To ensure broad outreach to the initiative and ensure target group participation, the services are free of charge through a cooperation agreement between FEA and the institutions where the young entrepreneurs/students are enrolled (universities, schools, etc.). The website is funded and maintained by FEA. Some courses are free of charge and some that are outside of the cooperation agreements have charges to be paid by participants.

The tool is constantly updated with new training materials, and the staff of FEA is capable to develop new tailor-made training courses based on the demands of the clients. At the end of each course, an evaluation questionnaire is filled out by the participants to update and regularly review the material according to the demands of the clients.

Outcomes

On average, there have been 30 learning groups per year, each one attracting 10-12 students. Since the beginning of the project to November 2017, the project has received 1,800 student registrations. Twenty educational institutions collaborate with the platform and issue each student a certification of accomplishment for the courses taken.

The first student entrepreneur contest launched in 2013 with 110 teams from 46 high schools; 12 teams made it to the final round. Furthermore, the 2017 edition of this contest is supported by the Ministry of National Economy and the Prime Minister's Office. Teams from the neighboring countries are also registered.

Lessons Learned

A key lesson is the importance of offering a new approach to teaching entrepreneurial knowledge to the young generation beyond the traditional basics offered in schools. The services of the MFI become familiar to students and the MFI's see their reputation increase at a governmental level through the lens of social responsibility. Cooperation with local universities and schools is recommended to ensure this practice can be more easily adapted to other contexts.

In Practice: Success Story

- ➔ [Student entrepreneur contest 2013](#)  Hungarian
- ➔ [RVA promotional video](#)  Hungarian

Further Readings

- ➔ www.albacourse.com
- ➔ www.vallalkozastan.hu
- ➔ www.fiatalvallalkozok.hu
- ➔ www.diakvallalkozo.hu

FEA'S RURAL FINANCING PROGRAMME: ONLINE CREDIT APPLICATION SYSTEM AND BUSINESS DEVELOPMENT SERVICES TO RURAL ENTREPRENEURS



Fejér Enterprise Agency (FEA)

Objective of Good Practice

FEA's rural financing programme developed Credinfo to reach rural clients that live in areas not covered by MFI branches by allowing them to submit a loan application and receive business development services online

Timeframe of Good Practice

2015 - Ongoing

Keywords

Technology, Financial and Non-financial services

Institutional profile	Fejér Enterprise Agency (FEA) was established in 1991 as a 47 member non-profit with a mission to provide high-level, easily accessible financial, advisory and training services in Hungary to start-ups and existing micro and small enterprises operating in the Transdanubian region and enable them to improve their financial, social and living conditions. Focus is placed in BDS, training for entrepreneurial knowledge and microcredit for enterprise financing
Type of Organization	NGO
Country	Hungary
Products & Services provided	Financial: Business microloans Non-financial: Entrepreneurship training, Financial education, E-learning courses
Gross Loan Portfolio	N / A
Number of clients	3,550
Target Audience	Rural population, Urban population, Youth (18-25 years old)
Organization Website	http://www.rva.hu

Overview of Good Practice

The main target group of FEA's rural financing program are self-entrepreneurs or small enterprises in settlements with less than 5.000 inhabitants, agricultural enterprises, local farms and producers of organic agriculture. A significant part of these countryside entrepreneurs (traditionally underserved by banks) pursue agricultural activities in areas that are not covered by MFI branches. To address the needs of this specific target group, FEA developed an integrated package called Credinfo that is part of the rural financing programme. Credinfo allows clients to submit their loan applications online via the FEA's webpage, alleviating the costly and time-consuming burden of traveling to the MFI's offices in bigger towns. The processes are fully

automated, the credit application program guides the client through the business plan and offers an on-line business analysis. There is a continuous evaluation of the credit applications. There is no need for paper-based administration except for documentation purposes. In addition, rural clients are also offered the possibility to take online trainings in the framework of the rural financing programme. To further enhance the financial inclusion of rural entrepreneurs, FEA is setting up a rural microfinance fund (guarantee scheme). The fund is meant to be combined with tailor-made business development services including trainings for entrepreneurial skill, coaching and consultancy, help in communication and promotion activities.

Innovativeness

Thanks to the Credinfo system, rural clients only need to complete some easy online steps; the rest is handled by the online assessments management system. This is of utmost value to the client since otherwise they would incur large travel expenses and opportunity costs. This platform has incredible adaptability serving a variety of projects both locally and offshore.

Efficiency and Sustainability

The online application and BDS lower the typically high transaction costs of rural microfinance for both borrowers and lenders that are caused by long distances, low population density and dispersed demand; it also allows the MFI to reach a wider audience. The program has high sustainability since the MFI using the system don't have to buy the software. Instead, they pay a monthly lump sum for the Credinfo services. The online services are provided as a SaaS model.

Outcomes

28% of FEA clients have a rural enterprise. This represents 132 clients participating in the programme. The average employee per rural enterprise is 1,8.

Lessons Learned

Due to its flexibility, the Credinfo system was also used also in urban settings to set up interest subsidized microfinance programs for the smallest enterprises (such as the FEA Growth Scheme) and later through the introduction of the IBM restarting credit scheme, which was set up by IBM to prevent unemployment after it closed down its country headquarters. IBM set up a fund of EUR 1 million that had an eventual total disbursement of EUR 2.2 million to 178 clients.

In Hungary, 19 Local Enterprise Agencies currently use the Credinfo system and the system has even been adapted for use in Norway by Microfinance Norway. The Credinfo system is easily adaptable for any MFI, independent of the country, language, legal or financial environment. In addition, there are already English and Spanish versions available.

In Practice: Success Story

Credinfo was chosen as a good practice in the DIFASS project, supported by ERDF in the framework of the Interreg Programme. The DIFASS partners studied the introduction of the Credinfo system, and two

organizations – CEEI Burgos and the Region of Sardinia - launched pilot projects on the system.

Furthermore, the adaptation of the Credinfo system in Norway has been in place since 2012.

Further Readings

- ➔ [Video on FEA's clients](#)
- ➔ www.credinfo.hu
- ➔ www.hmn.hu
- ➔ www.hvk-halozat.hu

“INTHEPRO” MANAGEMENT INFORMATION SYSTEM



Deutsches Mikrofinanz Institut (DMI)

Objective of Good Practice

This technological innovation provides an efficient and streamlined microfinance process that integrates the information of clients and MFIs into a single database. Furthermore, it supports all microfinance activities from first contact to loan repayments

Timeframe of Good Practice

2009 - Ongoing

Keywords

Technology in the delivery of loans

Institutional profile	Deutsches Mikrofinanz Institut (DMI) was formed by 50 microfinance actors who recognized the need for a common, nationwide structure to develop a sustainable microfinance solution in Germany. Its central mission is to ensure responsible and high quality provision of microloans so that the offered products meet the needs of customers and support their personal and financial development. DMI lives its mission on three levels: by providing services to microfinance players, by representing interests of its member and by improving the socio-economic structures for microfinance in Germany and Europe
Type of Organization	National Network
Country	Germany
Products & Services provided	Financial: None Non-financial: Accreditation of MFIs, Counselling and training to MFIs and potential microfinance actors, Research and development, Representation of interest, Public Relations
Gross Loan Portfolio	N / A
Number of clients	N / A
Target Audience	MFIs and Microfinance Sector Stakeholders (Banks, Municipalities, Foundations, Fund Administrators, Policy Makers, etc.)
Organization Website	http://www.mikrofinanz.net

Overview of Good Practice

In the German context, only banks are allowed to disburse loans and the software used by them is heavily protected. As a consequence, the banking infrastructure cannot be used by MFIs. Therefore, to establish a sustainable and scalable microfinance sector in Germany, technology was essential. MFIs needed a Management Information System (MIS) to provide access to loan related data, to have efficient risk assessment of loans and to enable MFIs' management to evaluate potential risks and allow for immediate intervention. In addition, German MFIs were bound by contract to monitor their borrowers closely and intervene immediately in case of late payments. In order to

efficiently fulfil these tasks, an MIS was needed that would also allow for individual adjustments and functionality. The MIS "Inthepro" was developed according to the needs of MFIs and allowed MFIs that needed additional functionality to pay for programming and implementation. This process created an atmosphere of cooperation among German MFIs where each MFI incurred a small investment while greatly benefiting from new developments. The MIS "Inthepro" has been developed by KIZ, the German institution supporting entrepreneurs with microloans and non-financial services, in close cooperation with DMI to serve all accredited MFIs in Germany.

Innovativeness

The most innovative element of the MIS is that all interactions with borrowers from first contact to full repayment are accessible, stored and managed in one system. In addition, management tasks ranging from risk and portfolio management to portfolio yield are available. This allows for efficient microcredit provision and ensures quality service from all MFIs. The development of loans for specific target groups and the effectiveness of support for borrowers could also be ensured and experiences can be shared more easily.

Efficiency and Sustainability

The MIS ensures lean processes that allow MFIs to be cost effective, creating efficient risk assessment of loans and enabling MFI management to evaluate potential risks that allows for immediate intervention.

In addition, being independent from software developed by banking institutions, which could not implement vital functionality for MFIs, favors growth and a scalable delivery model.

Outcomes

The MIS "Inthepro" has proven its effectiveness and efficiency. More than 15.000 loans were managed with the MIS by over 45 MFIs across Germany. Moreover, it allowed for lean and effective processes, which reduced costs at the MFI level significantly. Each loan officer was able to handle 200 – 250 active borrowers whereas before the MIS was available, a loan officer could only handle 40-80 borrowers.

IMPLEMENTATION OF CREDINFO IT SYSTEM FOR MFIs IN NORWEGIAN CONTEXT



Microfinance Norway

Objective of Good Practice

Increase outreach of financial and non-financial services thanks to the adoption of an integrated IT system that serves both the MFI and the beneficiary independent of geography - rural and city

Timeframe of Good Practice

2012 - Ongoing

Keywords

Technology in the delivery of loans, Non-financial services

Institutional profile	Microfinance Norway has an association and a loan fund as two separate legal entities, one membership association and the loan fund owned by the association. The original project started in 1996, and has operated under several names. The first loans were disbursed in 1997, and the new independent loan fund with a permit as a Non-Bank Financial Institution was regulated by the Finance Ministry of Norway in December 2016. The association has had many stages of development
Type of Organization	Non-Bank Financial Institution
Country	Norway
Products & Services provided	Financial: Business microloans, savings products Non-financial: Debt counselling, Entrepreneurship training, Financial education, Mentoring, E-Learning courses
Gross Loan Portfolio	EUR 600,000 (Revolving line of credit from 1997-2013) Initial capital EUR 160,000
Number of clients	1,400 (1997- 2017) 155 loans in total
Target Audience	Rural population, Urban Population, Unemployed people or people on welfare, Women, Youth, Ethnic minorities and immigrants, Disabled people, People excluded from the mainstream financial services
Organization Website	www.mikrofinansnorge.no

Overview of Good Practice

With the expansion of microfinance in Norway, a more effective way of reaching remote borrowers was needed. Between 2005 and 2010 FEA from Hungary, together with Credinfo Ltd., designed a microcredit IT platform. From 2010, Microfinance Norway participated with FEA and Credinfo Ltd in the EMN working group on IT and innovation. MFN tested the IT system of both Qredits in Holland and Credinfo in Hungary, and decided to replicate Credinfo for use in Norway. The objective of using the Credinfo system in Norway was to make it possible to reach more customers with fewer resources and at the same time educate, promote and connect entrepreneurs. Credinfo is used for web-based business plans/loan applications, reviews by the loan committee, promoting enterprises by letting entrepreneurs

make micro-sites, and making the group lending process easier for members, who can review each other's loan applications before voting as a group. These new adjustments to the original Hungarian version were made in close cooperation with Credinfo Ltd. from 2010 - 2017. Credinfo consists of a front and back office application. The most important functions of the front office are: on-line loan application and credit assessment modules. The back office is a credit recording system that works independently in case an MFI has their own loan capital/groups, such as the overall National initiative Microfinance Norway AS or the special versions for districts. Loan assessment takes place online, the review processes are faster and give the end user a better service.

Innovativeness

Previously, IT systems only catered to the needs of creditors. In other words, the systems only recorded loans, ensured the related MIS, provided information for strategic planning and to donors. In the case of Credinfo.no, clients receive new services that otherwise would be impossible to offer. The last stage now is to develop an App to offer online learning modules, training, mentoring, access to loans and networking facilities for new refugees in Europe. This project, called TREND, will last from September 2017 to August 2020. The training support/network provided to entrepreneurs are also offered to those who are not intending to take a loan.

Furthermore, MFIs can get up-to-date information on their financial and social performance. The system supports loan applications with online services such as integrated SMS that sends repayment reminders, etc. Clients can even submit loan applications from their smartphone, where they have the possibility to access the credit account and make modifications online. The loan application module has been used since 2010, and improvements are constantly made thanks to the feedback of users. The system has also been adapted to group lending to prepare MFN AS to cover the needs of regional independent network groups who previously had to manage administration by themselves.

Entrepreneurs have the possibility of making a micro site incurring in no expenses where they are able to upload pictures and videos of their business as a promotional tool.

The reporting modules also allow for flexibility tailored to the needs of the MFI. For instance, MFN AS uses the system to monitor the situation of its clients prior to loan approval, as well as when they participate in courses, activities etc. The IT allows for better statistics on the background of clients, and thus more detailed reporting to funding partners.

Efficiency and Sustainability

Credinfo may also be used by other local groups that wish to become members of Microfinance Norway as an umbrella organization. Moreover, the IT is easily adaptable regardless the country, language or legal environment. The replicability factor has been tested in the successful implementation in Norway. Credinfo is in line with the European recommendations for MFIs, regarding data protection and information flow and the elements included in the code of good conduct for microfinance.

Regarding cost-efficiency, every module of the system can run from internet browser, so there are no specific system requirements and Credinfo is easily adaptable without major installation costs. Credinfo is constantly being developed and every client has access to the new developments. It is an effective tool to foster local economies such as Northern Norway in quite remote areas.

Outcomes

As of October 2017: Total no. of users: 6 staff/partners, No. of client enterprises: 166 with data. The main outcomes will show up once all the loan capital is in place for the new loan fund. The online loan application has been used by all applicants since 2010.

Lessons Learned

Credinfo.no enables Microfinance Norway to reach customers over the vast distances in the country. All applications and assessments take place online, and additional "experts" may easily be added to the loan evaluation process.

Statistics are easier to collect with the system.

It is easily transferrable to other institutions because translation modules are integrated and modules may be turned on or off depending on an organization's needs.

There are also opportunities to assist the marketing of client enterprises through the micro sites and Google maps shows client business locations, and thus allows for networking based on geography and/or sectors, or even across borders if needed.

In Practice: Success Story

Amtul Qudsia Quddus used the www.credinfo.no portal for her third loan. At the same time, she created a profile on the micro site with photos of her nice handmade dresses and other products. The link to her business location is visible on Google maps together with other client businesses in the Oslo and Drammen region. When she is planning to take a new loan, she does not have to start

from scratch as her profile is kept in the system. She just updates the information for her new loan. The Credinfo portal is integrated with the normal website of www.microfinancenorway.no where she just clicks "loan" and is transferred to the portal. Her login information is personal, and her personal data is secured with a password.



Further Readings

- <https://credinfo.no/browser/entrepreneurs>
- <https://credinfo.no/browser/entrepreneurs/1319>

E-LEARNING COURSES FOR ENTREPRENEURS



Qredits

Objective of Good Practice

Online tool that provides entrepreneurs with necessary training and skills in an innovative and cost-efficient way to help build successful businesses

Timeframe of Good Practice

2012 - Ongoing

Keywords

Technology, non-financial services

Institutional profile	Qredits is a non-profit organisation founded in 2009 with just 5 employees; today, Qredits counts 55 people on its team with successful operations in the Netherlands and the Caribbean Netherlands. Its mission is to provide financing and coaching for starting and existing entrepreneurs that have viable business plans, yet who are unable to obtain credit facilities from conventional lending institutions. Qredits was also the first MFI to be assessed for compliance with the European Code of Good Conduct and is the only nationally operated MFI in the country
Type of Organization	NGO
Country	Netherlands
Products & Services provided	Financial: Business microloans Non-financial: Financial education, Mentoring, coaching, e-learning courses
Gross Loan Portfolio	EUR 110 million (As of Dec 31, 2017)
Number of clients	5,447 active customers (As of Dec 31, 2017)
Target Audience	People excluded from the mainstream financial services
Organization Website	http://www.qredits.nl

Overview of Good Practice

Qredits wants to foster entrepreneurship and help entrepreneurs become financially and socially independent. In response to the lack of practical entrepreneurial skills training in traditional education, Qredits developed e-learning modules to assist entrepreneurs in building successful businesses. Topics include: How to write a business plan, How to write a sales plan, and Credit management. The online courses can be taken from anywhere. The courses are very interactive and have incorporated different learning styles. Content is comprised of in-house expertise, the advice of business partners and professionals in the field as well as actual Qredits customers.

The courses are written and designed by in-house staff and produced and maintained by a third party provider. Qredits continually invests in new online tools to better serve entrepreneurs, keep costs down and reach a wider audience. The target group consists of starting and existing entrepreneurs as well as students in vocational colleges and high schools and people coming out of unemployment. The courses can be downloaded through the Qredits website and are offered as part of an educational programme (www.eigenbaas.nl) in schools and evening classes in different local municipalities.

Innovativeness

The innovative factor relies on the many assignments and blended learning styles, which make it suitable for any user. The course can be accessed at one's convenience and completed at one's own pace. Furthermore, a unique factor is the "tips and tricks" offered by business experts as well as the real-life examples and video messages from current customers and professionals in the field that provide the student/entrepreneur with an array of practical and relevant advice and tools.

Efficiency and Sustainability

The e-learning tools are very cost-effective and efficient. They can be accessed anywhere at any time and completed at one's own pace.

In order for Qredits to create a sustainable business model for its coaching/mentoring division, it decided to charge nominal fees for its coaching/mentoring services and certain BDS tools. The effect is two-fold: clients are more invested and this branch of the business is no longer dependent on subsidies. Initially, Qredits had to make a significant investment into the e-learning platform, but this has already been recovered through product sales and currently many business development services are offered for free.

The e-learning, "How to write a business plan" has been translated into several languages. It can be easily translated and revised for other languages or countries. It has also been adapted to match accreditation requirements for entrepreneurial skills training in the Netherlands and is currently used in approximately 50 vocational study courses and high schools. Recently, the e-learning was incorporated into an evening school for unemployed people or school drop-outs who are interested in starting their own business; it will also be used to train migrants. The possibilities are endless. Additionally, Qredits has developed an e-learning course for Microfinance mentoring which is mandatory for new mentors.

Outcomes

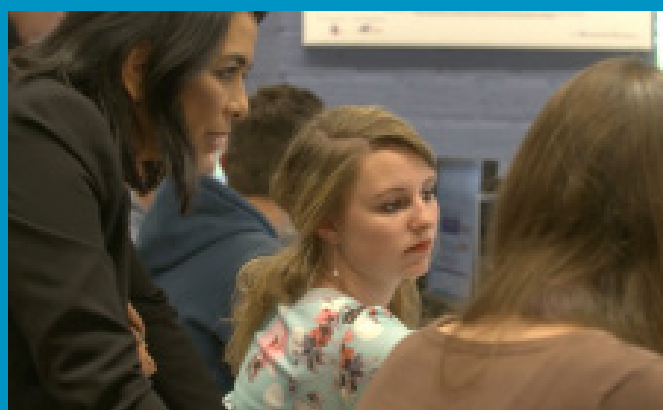
Since its launch in 2012, Qredits has:

- ➔ Sold 5.000 e-learning courses;
- ➔ Translated the business plan e-learning into English, Italian, Spanish and Papiamentu;
- ➔ Introduced the business plan into 27 schools, 50 courses of study;
- ➔ Incorporated the business plan into its mentor training programme;
- ➔ Added the business plan e-learning into the evening school programme for the unemployed and run a pilot class for migrants' entrepreneurs;
- ➔ Developed a student loan product for young entrepreneurs; and,
- ➔ In 2018, Qredits will give 700 free e-learning courses monthly and offer boot camps and night classes.

In Practice: Success Story

Rebecca is a 20-year old student at Helicon vocational college in Velp, the Netherlands. Her major is Animals and Enterprise. In her final year at Helicon, Rebecca was introduced to Qredits' school programme "EigenBaas", where she was challenged to write and pitch her own business plan. Rebecca has always been very creative and loves to work with old discarded materials, using them to create new or vintage looking accessories and decorations. She always considered this as a hobby, but the EigenBaas programme helped her to think through the different aspects and steps that are needed to create your own business. Instead of creating a fictitious business during the course of the programme, Rebecca decided the EigenBaas programme gave her the tools she needed to turn her hobby into an actual business. As Rebecca put it: "The EigenBaas programme helped me to get a good overview of what I had to take into consideration. For example, what are my expected costs, or do I want to work from home

or rent separate space for my business? The programme gave me a realistic picture that I could work with and build on. This resulted into the launching of BECWOOD design." With BECWOOD design, Rebecca creates decorative items out of discarded materials. She has already had several orders, one to furnish decorations for a school event. She also has her creations on display (and for sale) at her mom's 'living room restaurant' called Tafellen, so she is not the first entrepreneur in the family. According to Rebecca, "The EigenBaas programme is full of real-life examples and video clips, so it is very practical. I learn by example. This is much easier than if you are presented with a piece of text and you have to translate it into something practical yourself. This is what I think is great about this EigenBaas programme, part of the curriculum is e-learning based, so by filling in answers to questions, you build your own business plan, which is really great."



Further Readings

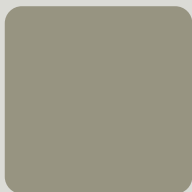
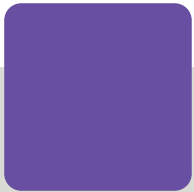
[Student testimonial from the School Programme](#)

Partners of Access to Microfinance for Small and Medium-sized Enterprises Interreg Project

"ATM for SMEs" project is aiming at improving the access to microfinance in the participating regions by sharing and exchanging the local knowledge on innovative solutions. The consortium partners are:

- ➔ Autonomous Region of Sardinia - Regional Department for Planning
- ➔ European Business and Innovation Centre of Burgos (CEEI-Burgos)
- ➔ European Microfinance Network -EMN aisbl
- ➔ Fejér Enterprise Agency
- ➔ KIZ SINNOVA company for social innovation gGmbH
- ➔ Microfinance Norway
- ➔ Ministry for National Economy Deputy State Secretariat Responsible for Implementing Economic Development Programs
- ➔ PORA Regional Development Agency of Podravina and Prigorje for Promotion and Implementation of Development Activities in Koprivnica Krizevci County
- ➔ Świętokrzyskie Region – Marshal Office of Świętokrzyskie Region
- ➔ Zala County Foundation for Enterprise Promotion

➔ [Website of the Interreg Project](#)



ATM for SMEs
Interreg Europe



European Union
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EUROPEAN
MICROFINANCE
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European Microfinance Network (EMN) aisbl
Rue de l'Industrie 10 - 1000 Brussels - Belgium
www.european-microfinance.org