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Enterprise and Industry

Expert Group Report

The Regulation of Microcredit in Europe

European Commission

Executive Summary

Microcredit addresses the need for access to credit by business start-ups, small businesses and the self-employed. Access to loans under EUR 25 000 is perceived as very difficult by the SME sector, which is an important motor for growth and employment. Microcredit can also be a tool for achieving policy goals like social welfare, employment or simply development and growth of small enterprises.

The very wide spectrum of goals and therefore target groups addressed, from the socially excluded to traditional start-ups, is reflected in the variety of legal forms of microcredit providers and the regulations that cover them.

This report summarises the main findings of an expert group that examined the different types of regulatory frameworks governing microcredit activities. The group, composed of 26 experts from 20 Member States, Turkey and two European practitioners, met four times between June 2006 and February 2007 in order to present the situation in their countries and discuss experiences.

In Europe only two countries, France and Romania, have specific legislation on microcredit. In other countries microcredit is regulated under the laws governing the institutions that provide it, basically banks and non-banks. Whereas the legislation concerning the banking sector is clear and harmonised to a certain extent by European banking law, the regulatory approach to microcredit provided by non-banks differs from country to country. For the bank model the factor determining whether an institution falls under the scope of banking legislation is the right to take deposits under European law. Many countries use this room for manœuvre, allowing non-banks to operate credit-only activities without the need to have a banking licence.

The experts agreed that in the banking model it was not so much regulation that hindered the provision of microcredit but risk and costs. In this model closer co-operation with existing business support services could help both to drive down costs and to increase the chances for longer term survival of the enterprise, especially for start-ups.

For the non-bank institutions European law only forbids deposit-taking but not lending activities per se. However, some Members States restrict almost all lending activities to banks. The experts agreed this may be too restrictive and that national legislation should allow the operation of a range of financial institutions, including non-bank microfinance institutions, which concentrate on credit–only activities for certain target groups not served by banks, e.g. financially excluded people.

For non-banks the fundamental question is whether existing legislation is suitable for operations. The absence of prudential regulation and supervision in itself poses no binding constraint to the development of microcredit, rather the contrary. When considering the regulation of non-bank financial institutions, the costs and benefits have to be balanced. Detailed regulation could also stifle innovation because passing a regulatory regime targeting microcredit involves making decisions on which institutions are the best to provide microcredit. In any case certain minimum standards have to be ensured, although not necessarily through new legislation. Here a self-regulatory approach could be a reasonable compromise.

Apart from regulatory constraints, cost factors play a decisive role in the provision of microcredit. In the bank model, apart from lack of sufficient collateral, handling costs can make the provision of microcredit unprofitable. The risk to the lender of giving microloans can be mitigated with public and private support mechanisms such as guarantees.

At the moment many microfinance institutions (MFIs) cannot operate profitably enough and depend on grants, so limited access to capital forms a bottleneck. Here tax incentives for investment in microfinance could be a way to address the problem. However, to be better able to tap funding from the financial markets, non-bank institutions should work on their operational performance with a view to becoming more sustainable.

Furthermore, setting interest rate caps too low can hinder the provision of microcredit if they prevent charging interest rates that could cover the higher risk and higher administrative costs. Interest rates on microloans should make risk-adjusted, cost-covering lending to businesses possible.

Public support schemes have proved to be an important complementary tool for microcredit. It should be noted in particular that guarantee schemes have to be based on confidence in their capital base. Consequently, Member States should set up rules on the managerial capacity of guarantee schemes, and on the extent of their commitments, their liquidity and their solvency. Such a legal and prudential framework could either be in line with the banking laws or could be of a more specific nature.

A complementary and recommended way to foster the demand for microcredit is to create a favourable environment for micro-enterprises, including favourable tax rules and easy business registration.

In short the Expert Group made four recommendations:

1. **Allow for lending by non-banks**
2. **Avoid setting interest rate caps too low**
3. **Ensure minimum legislative standards for non-banks**
4. **Create a favourable general environment for micro-enterprises**

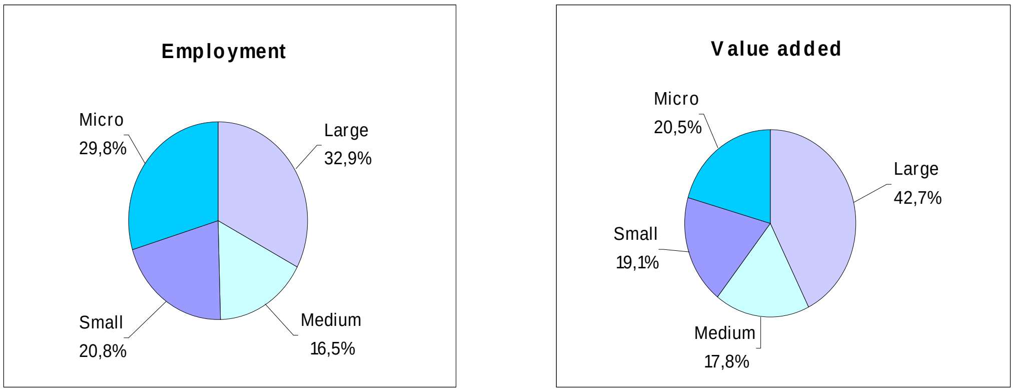
1. Background

Microcredit remains high on the European agenda. It is generally recognised - by Member States, European Institutions and more widely - as an area that has a significant impact on entrepreneurship, economic growth and social inclusion. Yet the market for this important type of finance still has imperfections due to the size of loans, lack of collateral and related costs.

In the start-up phase of an enterprise, obtaining capital for initial investments still forms a bottleneck for entrepreneurship in the SME sector. This is even truer when the business creator is unemployed, a recent immigrant or belongs to an ethnic minority. However, the SME sector is an essential motor in employment creation. Microfinance can be a tool to link the unemployed to the job market via self-employment.
Access to finance, both for start-up and for growth, is typically perceived as a problem. In recent surveys[1] that analysed SME finance it was found that less than two thirds of SMEs in the new Member States reported that they had sufficient financing whereas in the EU-15 three quarters had sufficient financing to see their projects through. 66% in the new Member States and 79% in the EU-15 had obtained financing through banks, but only 42% in the new Member States and 46% in the EU-15 reported easy access to loans.

91.5% of Europe’s enterprises have fewer than ten employees. That means that nine out of ten of the EU’s non-financial businesses are micro-enterprises. These micro-enterprises account for about 30% of all jobs and one fifth of the value-added.

Figure 1: Breakdown of number of persons employed and value-added by enterprise size-class, non-financial business economy, EU-25, 2003 (% share of total).



Source: Eurostat SBS

The target group for microcredit is even wider when the group of people willing to start a business is included. There is a growing trend towards the creation of one-person self-employed businesses, particularly by unemployed people.

Here microcredit can play a useful role in promoting self-employment and the creation of small businesses in the service and trade sector. Getting the framework right for microcredit is therefore not only an issue of entrepreneurship and economic growth, but also of social inclusion.

1 Flash Eurobarometer surveys Nr. 174 and 184.

In line with previous Commission documents[2], microcredit is defined as a loan of up to EUR 25 000 to new or existing micro-enterprises[3], although the experts agreed that, depending on the target group, sums can be much smaller, especially in the lower market segment. The provision of consumer loans should not be regarded as microcredit. Notwithstanding this, the small loans granted to people at risk of social exclusion can be regarded as microcredit, since such loans enable them to engage in an economic activity.

This broad definition of microcredit is also used because of the diversity of microcredit practices across countries. A more restrictive definition would exclude worthwhile microcredit activities. Purchasing power varies across the EU 27 and so do the sums needed to start a business or finance the growth of an existing one[4].

In 2004 the Report "Microcredit for small business and business creation: a market gap" concluded that shortage of credit remains a major constraint for business creators and on the growth of small enterprises, while the conclusions of a Conference on Microcredit in September 2004 contained the following recommendations:

- To improve the legal and regulatory framework for microcredit,
- To promote microcredit in Europe by disseminating best practices.

The current report follows up these recommendations and aims to:

- Give an overview of the different regulations governing microcredit in the Member States and
- Highlight the advantages and disadvantages of certain types of regulations.

The report was drafted by the Enterprise and Industry Directorate-General of the European Commission. It is based on the main findings of a working group composed of 26 experts from 20 Member States, Turkey and two European practitioners who met four times between June 2006 and February 2007 to present the situation in their countries, exchange experiences and identify best practice examples.

The examples highlighted illustrate interesting approaches in the area of microcredit regulation. Nonetheless, we have to bear in mind that differing entrepreneurial environments, tax, legal, welfare, employment and banking systems mean that one microcredit model may not be easily transferable or deliver the same results in another country.

2 Commission Staff Working Paper "Microcredit for European small businesses", SEC(2004)1156; "Competitiveness and Innovation Framework Programme", 1639/2006/EC.

3 Commission recommendation 2003/361/EC.

4 The U.S. Small Business Administration defines micro business loans as loans under $100.000.

2. The regulation of microcredit

As regards the regulatory frameworks in the Member States[5] and Turkey, presentations revealed a diverse landscape of legislation primarily targeting institutional types under which microcredit is provided.

Basically, we find two models of institutions, which provide microcredit: banks and non-banks. The rules referring to the institutional model are complemented by rules concerning both types such as interest rate caps, tax and other, which can also have a decisive impact on microcredit.

While EU law only forbids deposit-taking simultaneously with lending without being regulated, some Member States have adopted stricter approaches to lending. Many countries allow non-bank providers to work without having a specific regulation for the establishment of the legal entity of such institutions. Some countries have even developed a special regulatory window, an exemption (France) or a law (Romania) for the provision of microcredit. Special regulatory cases are the credit unions and financial co-operatives – also due to their long history - who can collect savings but are regulated by own laws.

Overview over the most important features in the different regulatory systems

Country	Special regulation	Interest rate cap	Non bank microfinance institutions	Tax incentives	Guarantee schemes
Austria			X		X
Belgium		X	X		X
Bulgaria			X		X
Cyprus					X
Czech Republic			X		X
Finland			X		X
France	X		X		X
Germany		X	X		X
Hungary			X		X
Ireland			X	X	
Italy		X	X		X
Latvia			X		X
Lithuania			X		X
Luxembourg			X		X
Poland		X	X		X
Portugal					X
Romania	X		X		X
Slovak Republic			X		X
Sweden			X		X
Turkey			X		X
United Kingdom		X[6]	X	X	X

5 Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Finland, France, Germany, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, Poland, Portugal, Romania, Slovakia, Sweden, U.K.

6 There is an interest rate cap for credit unions.

2.1. Institutional models

The following institutions were identified as providers of microcredit: commercial banks, savings banks, cooperative banks, microfinance banks, foundations, diverse types of non profit associations, and credit unions. As already said above, these actors can be roughly classified by their institutional models into banks and non-banks.

Providers can be also categorised by the different target groups they are trying to reach: bankable and non-bankable entrepreneurs. In the bankable group we understand mainly traditional start-ups and established micro-enterprises, while the non-bankable group includes mainly financially excluded people.

2.2. The banking model

According to all experts in the group, the most important institutional supplier of microcredit to small firms is the banking system with banks (savings, co-operative and commercial banks) being by far the biggest providers[7]. The main regulations concerning banks are European banking legislation[8] and national banking laws. The trigger to fall under European Banking law is to take deposits[9].

Microcredit providers operating under banking law have to fulfil all the requirements of banking legislation (regulation and supervision): transparency, minimum capital requirements[10], duties to report to banking authorities and other supervisory regulation, etc. These requirements are justified by two overall objectives: the soundness of the financial market and the protection of banks' clients and investors.

EU Banking directives do not relate to credit-only institutions and therefore do not directly affect or restrict microcredit, but some Member States limit the lending business to licensed banks. Countries where only banks are allowed to lend in general are for example Austria, Germany, Italy and Turkey.

Many national laws allow non-banks to engage in lending activities as is the case in Belgium, Bulgaria, Czech Republic, France, Romania, Sweden and the United Kingdom. Taking deposits is the determining factor for bank status, i.e. savings operations can only be carried out by accredited banks.

7 For the purposes of the report, however, insufficient data make it difficult to establish the respective share of personal and business loans.

8 Recast Banking Directive (2006/48/EC).

9 Compare art. 4 (1) 2006/48/EC for the definition, art. 2 for exemptions and art. 5 second paragraph for a specific waiver.

10 The new Capital Requirements Directive (CRD) introduces more risk sensitivity into internal management systems and requires banks to adjust their capital base to the actual risks taken.

Germany – the house bank principle

One country where microcredit provision is mainly done by banks is Germany, where the financial system has traditionally been bank-based[11]. Companies and private individuals have obtained finance mainly through bank loans (the so-called "house bank principle"). With over 40 000 bank branches[12], loans and other services can be provided on a broad scale all over Germany. The public chartered savings banks, together with the co-op banks have a particular responsibility for small loans.

Despite the high density of banks, access to microloans is often hampered because process and risk costs are high. To reduce these costs the German promotional bank KfW provides exemptions from liability up to 80% and pays administrative fees. Every bank in Germany is entitled to give loans from KFW to the ultimate borrower. The on-lending bank receives a margin (1.2% p.a.) in addition to a fixed commission.

Two products are offered: "Micro Loan" (loans up to EUR 25 000 for natural persons, small enterprises and the self-employed; duration min. 2 years and max. 5 years; nominal interest rate: 6.6 p.a.[13]; commission: EUR 600) and "Micro 10" (loans from EUR 5 000 – 10 000; in case of co-operation between a bank and a business support service a simplified procedure is applied; commission: EUR 1 000).

2.2.1. Co-operative and Savings banks

Although no data was available in the group on the number of loans disbursed by European Savings and Co-operative banks, these banks play a significant role in some countries.

Savings banks[14] are involved in microcredit operations with different business models. These business models can be grouped into three main types: regular lending activities (balance sheet-based model), foundations (off balance sheet-based model) and partnerships with financial institutions (agency-based model)[15].

Under their regular lending activities, savings banks work with specialised small lending departments[16] and, mainly in the EU-15, are complemented by guarantees given by promotional banks such as the KfW schemes described above.

Under the foundation approach, profits and losses resulting from microcredit operations are not consolidated in the bank's financial statements but in separate foundations.

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11 The legal basis is the German Banking Act. For the conduct of banking transactions, the written permission of the German Federal Financial Supervisory Authority (BAFIN) is required. The BAFIN can grant permission to non-banks in individual cases and under certain conditions: financing only out of equity, reporting similar to bank reporting, maximum loan thresholds.

12 This figure is the sum of all legally independent credit institutions plus their branch offices as of 31.12.2006.

13 As of 3.5.2007.

14 In Germany the Savings banks have public law status.

15 "Microcredit in Europe: the Experience of Savings Banks", European Savings Banks Group, March 2006.

16 E.g.: Bulgaria Post Bank.

In the agency based model an international financial institution[17] provides a credit line with certain conditions and technical assistance or other incentives to the savings banks[18]. The agency defines the credit policy and assumes the full risk. The savings bank is responsible for the credit decision.

Co-operative banks form a decentralised network which is governed by banking as well as co-operative legislation. Generally speaking, co-operative banks are fully-fledged banks. However, due to their history, their mission is (as well as the Savings banks'), close to the provision of microcredit.

2.2.1. Microfinance banks

Microfinance banks specialise in providing small loans but are regulated by banking law. Examples are the ProCredit Bank in Bulgaria and in Romania. In Spain the Savings banks group "La Caixa" is planning to set up a microcredit bank.

Romania - Microfinance Banks

In Romania there are two major microfinance banks, ProCredit Bank and Volksbank. ProCredit Bank[19] was established in 2002 as a result of a partnership between EBRD, IFC - Member of the World Bank Group, Commerzbank, DEG, ProCredit Holding and IPC. This unique structure of shareholders ensures stability and professionalism.

ProCredit offers two products for micro-enterprises. The "rapid credit" is loan up to EUR 12 000 for SMEs older than three months with no tangible collateral. The "investment credit" is a loan between EUR 5 000 -10 000 and no collateral is needed, either.

Volksbank Romania[20] is a commercial bank that acts on the Romanian market since May 2000. Since the beginning, Volksbank Romania targeted the natural persons and SMEs, offering banking products and services adapted to their client needs.

Volksbank Romania has two products for micro-enterprises. The "easy credit" is a loan up to EUR 15 000, no collateral requirements and a simplified application procedure. "Easy invest" is a loan up to EUR 15 000, no real collateral needed, but a deposit for the asset acquired with the loan is required.

Savings Banks and Co-operative banks remain the main traditional operators in the field of microcredit[21]. In **France** and **Spain**, they have partnerships with non-profit organisations, acting as business support service providers and directing customers to these credit institutions.

The experts agreed that in the banking model it was not so much regulation that hindered the provision of microcredit but risk and costs. Financial institutions regard

17 Like the European Bank for Reconstruction and Development (EBRD), Council of Europe Development Bank (CEB)/ Kreditanstalt für Wiederaufbau (KfW) and European Investment Bank (EIB).

18 E.g. SME Finance Facility (SMEFF) mainly funded by the PHARE programme.

19 First under the name of Microfinance Bank MIRO SA.

20 The major shareholder is Volksbank International AG, in majority owned by Österreichische Volksbanken AG.

21 For the purpose of the report, however, insufficient data make it difficult to establish the respective share of personal loans and credit to enterprises.

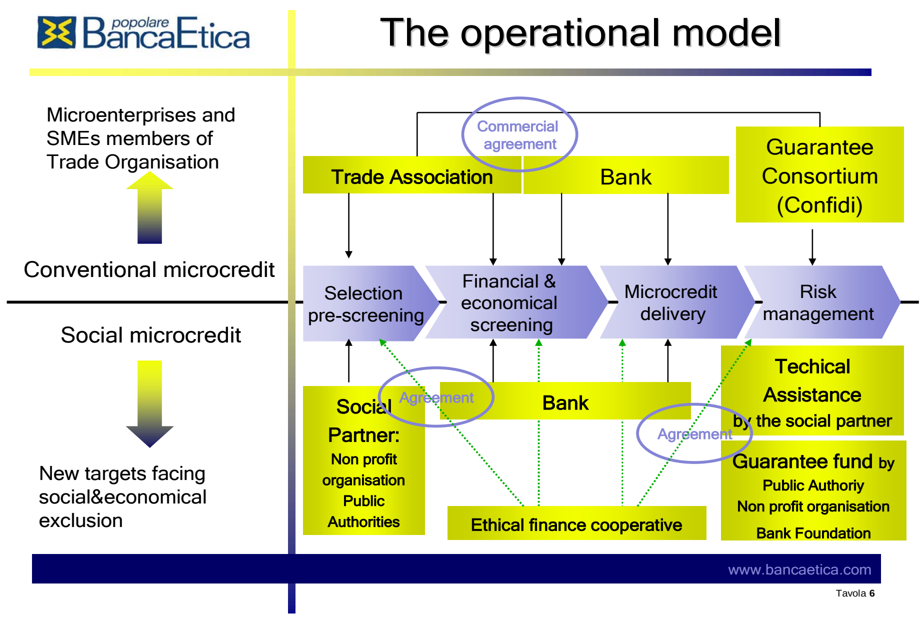
microloans as risky if there is no collateral. This combined with the asymmetric information effect and the fact that processing microloan involves a certain amount of fixed cost, means that the smaller the loan, the less profitable the loan is likely to be to the lender.

For example in Italy, a country where lending activities can only be carried out by banks[22], there are systems in place to address these problems. Business support services help to reduce transaction costs in the pre-loan phase by screening applications and are also engaged in the phase when the loan has to be paid back.

Depending on the target group there are special agreements between a trade association or an NGO and banks. The risk of having no collateral is mitigated by a guarantee consortium or a guarantee fund. So the cost factors are mitigated, by co-operation with business support services such as the Chambers of Commerce or an ethical finance co-operative and, by private and public support mechanisms such as guarantee schemes.

The Italian system, which is exemplary for countries, where only banks are allowed to lend, is described in the graphic below. The provision of microcredit credit is divided into two market systems: the "conventional microcredit" for micro-enterprises and SMEs (who are members of trade organisations) and the "social microcredit" targeting people who are excluded socially and economically. However, evidence shows that in both segments additional support is needed without which the market would not deliver satisfactory results.

Example: Italy – the operational model for the provision of microcredit



Source: L. Callegaro (Banca Etica), Presentation to the Expert Group, 14 December 2006

In Italy in the 1990s new legal rules forced the MAG ("mutua auto gestione") cooperative societies (self-management mutual associations – a financial co-operative[23]), whose

22 Under special, rather restricted circumstances also financial cooperatives are allowed to lend.

23 See also 4.4.

traditional aim is to raise savings among their members and to finance "socially oriented projects", to reorganise[24]. This development led to the foundation of an "ethical bank", Banca Etica**,** which has the legal form of a popular banking institute.

This kind of co-operation between banks and business support institutions can be found in many countries, e.g. in Austria the Chambers of Commerce are engaged in microcredit programmes.

Austria – Joint Credit Action[25] between a Chamber of Commerce and banks

For 50 years the Chamber of Commerce and Industry of Vienna (Wirtschaftskammer Wien) has been co-operating with all bigger banks with an affiliate in Vienna to provide loans up to EUR 7 000 for start-ups and EUR 6 000 for already existing enterprises with a 3% interest rate and four year maturity. In this co-operation the chamber provides information and advice on the programme, the credit application is made to the banks, who forwards the documents to the chamber, who does the screening of the proposal. The credit and the risk management are done by the bank. Each year 450 credit applications are handled successfully.

In the banking model closer co-operation with existing business support services can help, both to drive costs down and to increase the chances for longer term survival of the enterprise especially for start-ups. Mentoring in the critical start-up phase decreases the risk of failure.

2.3. The non-banking model

The regulatory approach to microcredit provided by non-banks differs from country to country. The existing institutional models range from non-profit associations, not-for-profit companies, charities, trusts, foundations to credit unions.

Special legislation for these microfinance institutions (MFIs) can be found in France, and Romania. The UK and Finland do not have specific laws but allow exemptions regarding community development finance.

2.3.1. Special legislation or exemptions

According to the French Banking Act, only banks may engage in "credit transactions" [26]. Banks are licensed by a special committee[27]. However, there are a few exceptions[28] to this principle, one concerning microcredit[29]. It allows voluntary associations to grant

24 The MAGs were a form of non-bank co-operative which collected money and provided small amounts of credit for business start-ups. The banking legislation put up significant barriers to this form of non-bank which led to the foundation of Banca Etica.

25 The so-called "Gemeinsame Kreditaktion" is jointly funded by the City of Vienna and the Vienna Chamber of Commerce with EUR 2m per year.

26 I.e.: Making or promising to make funds available to a person by signing a guarantee or giving an undertaking in favour of that person (art. 313-3 Monetary and Financial Code).

27 Committee on Credit and Investment Institutions - Comité des Etablissements de Crédit et des Entreprises d'Investissement (CECEI).

28 Listed in article L.511-6 of the Monetary and Financial Code.

29 The 15 May 2001 Act concerning new economic regulations.

loans from their own funds and from funds borrowed from banks, for the creation and development of businesses by the unemployed or people living mainly on social benefits. The Microcredit Committee[30], composed of members drawn from diverse backgrounds, licenses and controls these voluntary associations.

To be allowed to lend, the associations have to fulfil certain conditions: experience in supporting start-up projects, prudential norms, etc. Individual loans must not be larger than EUR 6 000 and are limited to the first five years of the business since its creation. So far ADIE (Association Pour Le Droit À L´Initiative Économique) is the only organisation that makes use of this special window.

France – ADIE a national wide MFI benefiting from a legal exemption

ADIE is a non–profit association targeting unemployed persons or persons who receive social allowances (revenu minimum d´insertion (RMI)) in France. With its 22 regional and 112 local offices and 380 contact points ADIE has disbursed as of 31.12.2006, 43 747 loans and helped create 37 349 enterprises since 1989. The loss rate at the end of 2006 is 2.97 % and 64% of businesses were still running after two years.

One advantage of the introduction of the legal exemption was the simplification of the lending process. The time needed to disburse a loan has been cut by 2.2 times. Due to faster information on unpaid instalments, the risk monitoring has been reduced from 10-60 days to two days. In consequence, the cost of the back office has also been decreased. ADIE was able to extend its partnerships with commercial banks. In the last three years, 20 177 loans were given, compared to 23 570 loans granted from 1990 to the end of 2003.

In 2005 Romania adopted a law[31] in order to create a legal framework for the organisation, operation and development of so-called "microfinance commercial companies". These microfinance institutions grant microcredits, but are not allowed to take deposits. Funding can come from internal sources, banks, donors or public funds.

The law defines microcredit as a loan up to EUR 25 000 for the development of business activities and projects helping to improve the living standard of the local community. The MFI can offer business services such as consulting and training.

The founding of an MFI must be notified to the National Bank of Romania after its registration in the trade register. The minimum share capital is EUR 200 000. According to the law, MFIs must establish internal rules for the provision of credit, ensuring data protection and certain prudential standards; and concerning internal control. The MFI must be audited by an external contractor. All financial activities have to be carried out via accounts in credit institutions which were opened by the MFI.

MFIs' reporting obligations include providing an annual report on the microcredit portfolio structure to the National Bank of Romania, and informing the Central Banking Risks

30 Established by 30 April 2002 Decree.

31 Law Nr. 240/2005.

Office and the Credit Office about risk and granted credits. The law also sets minimum standards concerning the microcredit contract[32] and excludes certain actions[33].

However, very recently criticism was levelled against the situation in Romania, where many practitioners consider the new law as too expensive, bureaucratic and therefore restrictive.

In many Member States substantial micro-lending activities are carried out by non-banks, in particular so-called microfinance institutions, which have microcredit programmes targeting socially or financially excluded entrepreneurial groups. These activities are not governed by special legislation but do not require a banking license, either.

2.3.2 Microfinance institutions

Specialised microfinance institutions (MFIs) can be found in Belgium, Finland, France, Germany, Hungary, Ireland, Italy, Poland, Romania, Slovakia, Spain, Sweden, the United Kingdom and Turkey.

Microfinance institutions have some common characteristics. As regards the target market most micro lenders target registered businesses with fewer than five employees[34] and lend smaller amounts. If there is a client-specific targeting, the most common focus is on poverty, women and the unemployed[35].

Slovakia – microloan programme

Financed initially[36] with PHARE resources, the National Agency for Development of Small and Medium Enterprises (NADSME) launched the Micro-loan Programme in 1997. This programme is run by a network of co-operating regional advisory and information centres (RAIC) and business innovation centres (BIC). Currently 14 centres, all non-profit non-governmental associations, are involved in the provision of micro-loans. In addition to advice, they offer counselling, information and trainings. Up to December 2006, 1 402 micro-loans totalling 606 MSKK (16, 8 m EUR) had been disbursed, helping to create 2 084 jobs and to maintain 2 660 others.

Micro-loans provided to enterprises with up to 20 employees may be used to acquire movable and immovable fixed assets, reconstruct operating space, purchase stocks, raw materials or merchandise. At present, the minimum amount of a loan is 50 000 SK (approximately 1 400 EUR), maximal up to 1.5 MSKK (approximately 42 000 EUR) with the maturity period from 6 months to 4 years. At the request of the entrepreneur, a grace period of up to 6 months can be given.

Since August 2006, the formula for calculation of the interest rate has been set as the basic rate of the National Bank of Slovakia plus 2% p.a., which represents 6.25 % in

32 The contract has to include information concerning all cost (interest, interest penalty, commissions, fees and additional services), on the payment of the loan, collateral, purpose of the credit, and a confidentiality clause.

33 The loan cannot be used to purchase or sell shares of the MFI, not be delegated to another beneficiary and to guarantee for the MFI.

34 EMN working paper Nr. 1 (2004) - "Overview of the microfinance sector in Western Europe ": 78% of responding micro-lenders stated that their key target markets are registered businesses with fewer than 5 employees. 15% specifically target unregistered businesses and 11% registered businesses with five to nine employees.

35 Idem.

36 Since 2001 with national funding.

April 2007. However, this interest rate does not allow covering of costs for the institutions.

Concerning lending techniques, MFIs use specialised methodologies to mitigate the high transaction costs and levels of risk. These methodologies involve stepped loans and group lending. Step lending means that a client will only be entitled to loans of larger amounts if initial loans are repaid successfully. Group lending relies on the peer pressure of the group's members to act as a guarantee in place of more traditional forms of collateral. However, unlike in developing countries, the vast majority of micro-lenders in Europe only make individual loans, 4% only make group loans and 4% make both group and individual loans[37]. 50% use the stepped lending method.

The majority of MFIs provide general business support (advice on a range of topics including marketing, sales, cash-flow, accounting, costing and pricing, legal issues, taxation, etc.) and help with developing a business plan. This also includes support after granting a loan.

Poland – Microloan funds

In Poland microloan funds continue to thrive, also thanks to public support programmes by the Polish Agency for Enterprise Development. In 2005 there were 75 loan funds with a total capital of PLN 558m (about EUR 140m) operating, which granted 16 000 loans (12 000 alone by Fundusz Mikro). The average loan given was PLN 14 400 (EUR 3 680). These loans helped to create 5 400 jobs.

The UK does not have specific laws, but some MFIs known as Community Development Finance Institutions (CDFIs) register under the Industrial & Provident Societies Act, 1965. An Industrial & Provident Society is an alternative corporate form to a company. Societies[38] registered under the Act can benefit of some exemptions under the Financial Services and Markets Act 2000 and are able to raise capital through the issue of redeemable shares known as withdrawable share capital. Redeemable share capital is regarded as "risk capital", so CDFIs are not regarded as credit institutions or as carrying out the business of banking.

CDFIs are exempted from prospectus regulations and also from the financial promotion rules. However, the Financial Services Authority has discretion over the registration of community benefit societies and will not register a society unless it has included some consumer protection in its rules relating, among others, to the fitness and propriety of management and the quality of the systems and controls in place.

Investment in these CDFIs automatically confers membership and many CDFIs invite borrowers into membership as well. Membership confers governance rights, including the power to attend and vote at meetings and to elect directors. These protections would typically include the rules on the following topics[39]:

- Financial Promotions

37 Idem.

38 Irrespective of whether they are community development finance institutions (CDFIs) or farmers co-ops.

39 More information on these protection rules can be found in Annex 2.

- Fit and Proper
- Member Identification
- Money Laundering
- Systems and Controls
- Business Principles
- Fidelity Insurance
- Accounts

UK - Conclusions of the Aspire case study

Aspire, a CDFI, was established in Belfast in 1999. It aimed to encourage entrepreneurship and self-employment and tackle financial exclusion in deprived communities. It specialised in the provision of small loans of up to £15,000, with an average loan size of £2,000. In is first five years, it disbursed over £1.5 million to more than 400 clients. The majority of these loans went to 'neighbourhood businesses' such as hairdressers, taxi drivers and greengrocers.

It faced considerable challenges in maintaining a reliable funding base, which made it increasingly difficult for it to operate as an independent institution. Aspire's board considered a number of options for continuing its work and in late 2005 accepted a proposal from Enterprise Northern Ireland to take it over with the commitment to continue its microcredit programme for at least 2 years.

Microcredit development is at an early stage in the UK and Aspire was one of its pioneers. The Esmee Fairbairn Foundation and the Community Development Finance Association (cdfa) jointly sponsored a study on Aspire and the conclusions of the review were as follows:

- Aspire's particular lending methodology worked;
- Low income entrepreneurs do repay loans;
- Microcredit has an impact on business development;
- The market size for microcredit was smaller than had been anticipated by Aspire;
- Full operational self sufficiency is not a realistic expectation for small microcredit businesses;
- Interruptions in funding streams to a microcredit business can lead to staff redundancies, lack of continuity with clients, low staff morale, higher arrears and lost momentum.

In **Finland** there is also legislation related to microcredit and municipalities, local authorities and communes. Under the Act on Social Credit townships can grant “social credit” to persons with low income and no access to other finance institutions, but mainly for personal use. The credit is part of the social welfare service and aims to prevent social exclusion.

2.3.3. Regulation and supervision of MFIs

As mentioned above, only two European countries have used the option of regulating the non-bank microfinance sector with specific laws. A clear, stable and comprehensive framework has the advantage of avoiding uncertainty and, in the French case, to make access to funding easier.

In the UK, the Financial Services Authority (FSA), was concerned that investors might not fully understand the risks attached to investment in a Community Development Finance Institution (CDFI). The FSA examined the business model of CDFIs[40] to determine whether any market failures could be addressed by regulation.

It identified some information asymmetries. The main objective of a CDFI is to maximise financial support for a community through the provision of investment and loan facilities. This objective implies an incentive to maximise funds raised from investors and the volume of loans granted. In the absence of any regulated standards for financial promotion, CDFIs might be selective about the publication of information which could deter investors. The social purpose of a CDFI could cause it to emphasise the 'community benefit' of investment rather than the typical risk of its unsecured lending.

The FSA found that there were no mechanisms to prevent a technically insolvent CDFI from inviting investment, and applying the funds raised to pay administrative costs. More sophisticated investors could regard investment in a CDFI much as they would a charitable donation, so there may be little discipline imposed on a board by its investors.

Secondly, the principal/agent problem: the inability of investors to assess the quality of management and financial soundness of a CDFI could lead to a lack of market discipline on the boards of individual CDFIs. Lack of external discipline could have a negative effect on implementing good quality systems and controls. As a consequence, CDFIs could be exposed to money-laundering and financial crime, including employee fraud.

Thirdly, it anticipated some systemic risk which could follow from the failure of a single CDFI and the loss of its investors’ money. There is no compensation scheme in place for unregulated CDFIs.

Furthermore, the FSA identified risks that could not be resolved by regulation, for example the risk of grant dependency. It was not intended to secure the solvency of individual CDFIs, as open and transparent reporting and financial promotions should make clear that investors might lose their money. The risk of fraud could be addressed by proper systems and controls, fidelity insurance and a professional audit.

However, despite the arguments supporting formal regulation to deal with these market failures, the Financial Services Authority recognised that the costs of introducing even a minimal regulatory regime could prove prohibitive to some CDFIs.

This would have been an unwelcome development, as the UK Government had shown commitment to the growth of the sector and it had acknowledged the valuable role that CDFIs play by establishing Community Interest Tax Relief and providing grants to support their microcredit business.

As an alternative to formal regulation, the FSA has been looking at self-regulation based on a **Code of Practice[41] published by the CDFA, a trade body for CDFIs.** The Code should introduce many of the requirements which would be imposed by regulation. To be a satisfactory alternative to regulation, it must be binding on all members of the CDFA; and compliance should be monitored by a third party. It is hoped that this could deliver the same outcome as regulation, but without the burden of cost.

40 registered under the Industrial & Provident Societies Act.

41 See also under trends and developments.

2.4. Financial cooperatives/credit unions

The group discussed financial cooperatives and credit unions only to a limited extent, since there were no experts on this specific type of provider present. However, in some countries financial cooperatives and credit unions play an important role for microcredit especially in rural areas.

Credit unions[42] (also known as credit and saving unions) or financial co-operatives are organisations owned and operated by and for their members for the purpose of encouraging savings, using pooled funds to make loans to members and providing related financial services.

It must be noted that usually credit unions may only lend money to natural persons but it is accepted that some loans to individuals will be used for business proposes.

42 In this report the term financial co-operative and credit union are interchangeable. Financial co-operatives are an old phenomenon in Europe (England and Germany) from the 19th century. Many have developed into fully-fledged banks. Others are still covering segments of financial markets where commercial banks and support programmes of MFIs have no interest or possibility of penetrating, e.g. low income people small and/or remote rural communities, economically depressed regions.

3. Regulations concerning both groups

3.1 Rules on interest rates or usury

In Europe interest caps or rules on usury exist in order to protect consumers from over-indebtedness and predatory lending practices. There are usury laws in Belgium[43], Germany[44], Italy[45] and Poland. In Turkey there is no ceiling for interest rates at the moment, although the Treasury has the right to set limits.

Belgium regulates usury rates for instalment credit according to loan amount and reimbursement period:

Usury rates for instalment credit in Belgium[46]

Credit amount (EUR)	> 12 months	13-24 months	25–48 months	> 48 months
< 500	25,5%	24%	-	-
> 500 – 2 500	21%	20,5%	-	-
<2 500-10 000	17%	16,5%	15,5%	-
>10 000	14%	13,5%	12,5%	12%

Maximum reimbursement period of total credit amount for instalment credit in Belgium

Credit amount (EUR)	maximum reimbursement time (in months)
200-500	18
>500-2 500	24
>2 500-3 700	30
>3 700-5 600	36
>5 600-7 500	42
>7 500-10 000	48
>10 000-15 000	60
>15 000-20 000	84
>20 000-37 000	120
>37 000	240

The German system limits maximum interest rates by a usury law that forbids charging more than double the average interest rate in a certain sector (e.g. real estate loans), or exceeding the average interest rate in the sector by 12 percentage points. In Italy an interest rate is usury if it exceeds by more than 50% the average annual effective global rate applied by banks and financial intermediaries. In 2006 Poland introduced a maximum interest rate on consumer loans capped at four times the Central Bank Lombard rate.

Whereas the Italian and Polish interest rate caps could be limiting factors for risk-adjusted lending and cost coverage, the German system delivers consumer protection but at the same time leaves room for some interest spread.

43 Belgium: 12/06/91 Law for consumer credit regulates usury rates for instalment credit: it is forbidden to mention an interest rate which is superior to the ordinary rate. The conditions of the credit's maximum rate are specified in the 04/09/92 Royal Decree.

44 §138 German Civil Code. Common Law for immoral transactions. The derived legal practise defines a usury interest rate as an interest rate being twice as much as the market interest rate.

45 Law n.108/1996.

46 "vente à tempérament"

3.2. Tax

Concerning tax, few countries favour investment in small companies with a special regulation. In Ireland a seed capital relief scheme allows employees who leave employment, as well as unemployed people who are starting their own business, to get a tax refund.

The Irish seed capital scheme
Under the Business Expansion Scheme started in 1984 the Seed Capital Scheme[47] foresees a refund that can be as high as all of the income tax paid over six years, if the investment is high enough. Persons entitled to this refund are employees who leave employment and unemployed people wanting to invest in companies operating in certain sectors. One may select the tax years for which to claim a refund from any or all of the years prior to investment. The investment must be claimed up to the extent of total income in each of the selected years (up to a maximum of EUR 100 000).

In the UK the **Community Investment Tax Relief (CITR)** scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas through investments in accredited Community Development Finance Institutions (CDFIs).

The tax relief is available to individuals and companies and is worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made.

3.3. Anti-money laundering and anti-terrorism legislation

This legislation is aimed at combating terrorism and financial crime. However, it should be borne in mind that people who have no permanent address or identification documents may be excluded from accessing finance by these laws.

In the UK, the Joint Money Laundering Steering Group in conjunction with the Financial Services Authority has developed specific rules to ensure that where people cannot reasonably be expected to produce standard evidence of identity, they are not unreasonably denied access to financial services.

47 In the current national budget the Irish government proposed that the scheme be renewed for seven years to end December 2013. The new proposed current company limit for the scheme is EUR 2 m with an investor limit set at EUR 100 000.

4. Forms of public and private support

In the banking model as well as in the non banking model there is public intervention necessary to bridge gaps or failures in the market. This support is provided on EU, national and regional level by promotional/state-owned banks, special funds and private and public guarantee mechanisms.

At EU level some measures have already been put in place, such as the Microcredit window of the SME Guarantee Facility[48], which is managed by the European Investment Fund on behalf of the European Commission and has been operating since 1998. The newly created JEREMIE programme, financed by the Structural Funds, is also expected to make a major contribution.

The objective of these EU programmes is to encourage intermediaries (guarantee schemes within the public and private sector, including mutual guarantee schemes, microfinance institutions and any other relevant financial institution) to provide microcredit financing and to assist in mitigating the fact that microcredit financing typically involves proportionately higher unit handling costs. In addition to guarantees, intermediaries receive grants in the form of technical support to partially offset the high administrative costs inherent in microcredit financing.

At national level there are many measures to promote the availability of funding to institutional customers and to share the risk partially with a retail operator. Support programmes giving direct financial support have been implemented by promotional or state-owned banks and guarantee schemes.

4.1. Promotional or state-owned banks

Where state-owned and promotional banks exist, they are the finance providers for microcredit activities in many cases local banks are the retailers to small enterprises (as was described in the "Germany – the house bank principle").

Promotional or state-owned banks are generally regulated by a special national law. These banks are either under special public control or banking supervision. There are such banks in Austria, Bulgaria, Belgium, France, Germany, Hungary, Ireland, Latvia, Luxembourg, Portugal, Slovakia and Sweden.

Finnvera plc – a specialized state-owned financing company

Finnvera[49] Plc provides microloans targeted at enterprises employing maximum 5 people with a special scheme for women entrepreneurs. Since 1996, 45 163 loans totaling EUR 554 million have been granted by Finnvera´s 16 regional offices and led to the creation of 52 311 new jobs. Close co-operation with existing regional business service entities

48 Launched under the Growth & Employment Initiative (1998-2000), continued under the Multi-annual programme for enterprise and entrepreneurship, in particular SMEs (2001-2006) (MAP) and, from 2007, under the Competitiveness and Innovation Programme (CIP).

49 Finnvera´s predecessor, Kera corporation, started with schemes as a special assignment from the State after an amendment to Kera Act. In 1999, the operations of Kera and the Finnish Guarantee board were combined through a merger.

helps both the pre-screening and, selection and the survival rate of enterprises (start-ups' survival rate after five years is 80%).

Promotional or state-owned banks play an important role in national measures to promote the availability of funding to institutional customers. These schemes include partial credit provision, partial risk-sharing and downscaling.

Hungary – Cooperation of the Hungarian Development Bank (MFB) with MFIs

In Hungary the Hungarian Development Bank is also providing microcredit through the MFIs using them as agents. The scheme is called **Microcredit Plusz**, where the Hungarian Development Bank provides microcredit directly to micro-enterprises. The loan is available through 9 subsidiaries of MFIs, which act as agents of the Development Bank and are involved in pre-screening activity. The loan is 80% guaranteed by the partially state-owned guarantee company Hitelgarancia Zrt. In Microcredit Plusz enterprises can get loans up to 60 000 EUR for max 10 years for their investments. Initiated at the end of 2005 241 micro-enterprises received 9.3 million EUR in loans until March 2007.

4.2. Guarantee schemes

Guarantee schemes are a way of sharing the risk between either a public, private or mutual guarantee scheme and a bank. A European Commission Best Report on Guarantees and Mutual Guarantees[50] revealed a diverse landscape of institutions based on a large variety of legal forms and organisational structures.

In **Austria** the state-owned promotion bank **AWS (Austria Wirtschaftsservice GesmbH)** has launched a new microcredit programme. Guarantees for loans of up to EUR 25 000 are granted to banks on very favourable terms: no processing fees, low guarantee fees and flexible guarantee quotas. AWS will run this new guarantee facility with a very simple and fast application procedure addressing the needs of single person enterprises. The microcredit program will complement the guarantee portfolio of AWS, thus offering guarantees for very small enterprises within the whole life-cycle (with a focus on start-up companies).

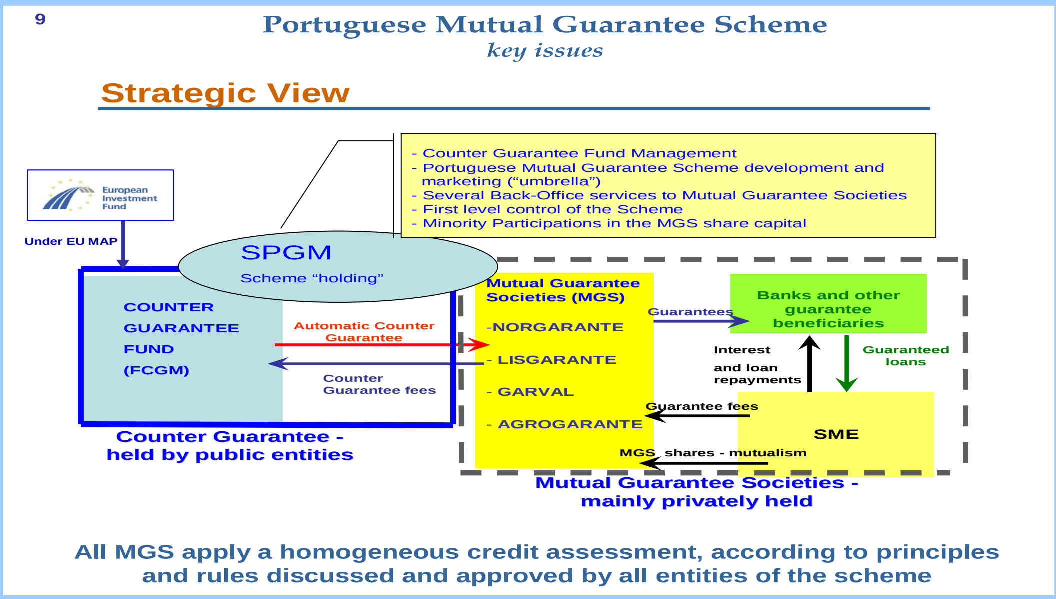
In contrast, mutual guarantee societies are collective initiatives of a number of independent businesses or their representative organisations. They commit to granting a collective guarantee to loans issued to their members, who in turn contribute to the equity and the management of the scheme.

Portugal – Mutual Guarantee Scheme SPGM

In 1994 the SPGM was established to act as a pilot mutual guarantee society with the aim of creating private guarantee schemes. The SPGM had the legal form of a credit

50 Best Report, Nr. 3, 2006.

institution[51] ("sociedade de investimento") and now serves as a holding for four regional mutual guarantee societies[52]. Its main shareholders are the national SME agencies[53], the largest private banks[54] and SMEs[55]. The mutual guarantee societies, which issue the guarantees, are backed by a public counter-guarantee Fund (FCGM)[56]. With an initial investment of EUR 113m (EUR 99m public money), EUR 450m of guarantees were issued, which triggered financing of EUR 907m for SMEs[57]. This helped to create or to maintain more than 55 000 jobs.



Source: Nuno Cavaco Henriques (LISGARANTE), Presentation to the Expert group, 10 November 2006

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51 Decree-Law nr. 211/98, dated 16 July 1998 (establishes the concept of Sociedades de Garantia Mutua (SGM)); revised by Decree-Law nr. 19/2001, dated 30 January 2001(classifies the SGM a special credit institution, regulated and supervised by the Central Bank.

52 Norgarante in the North, Lisgarante in the south and Madeira Island, Garval in the centre and Agrogarante at national level, acting specifically for agro-industries.

53 IAPMEI and ITP.

54 BPI, BES, Millenium BCP and BTA.

55 Around 1500 SMEs as at 30 April 2006.

56 This fund is a second layer guarantee which covers between 50 and 75% of the guarantee amount. Under certain conditions the EIF gives the fund a third layer guarantee.

57 As at 30 April 2006.

5. Trends and developments

Microcredit is a growing business as figures for the non-banking model show in particular. A recent survey[58] shows that in 2004 to 2005 the number of loans disbursed increased by 15% in the EU 15. However, in the new member states surveyed, growth in loan volume was 4% due to sector maturity and competition by downscaling banks. This is underlined by the fact that new initiatives have recently been launched.

In August 2006 Lithuania launched a new microcredit initiative. EUR 8.35m (from PHARE grants) have been provided to three commercial banks for the period up to 2012. 85% of this capital has to be lent to micro enterprises on favourable terms: a maximum interest rates 3 Euribor + 0.65%; an administrative fee not higher than EUR 80 and an agreement fee not higher than EUR 50; and the decision on granting the loan will be taken in 48 hours after all documents have been submitted. The estimate is that more than 340 enterprises will benefit from this measure.

In Austria the Ministry of Economics and Labour is currently analyzing the framework and conditions of single person enterprises. Depending on the result, in 2007/2008 there could be additional measures to promote the competitiveness and access to finance for this group of entrepreneurs.

In Poland the government is considering measures to streamline the microloan fund sector. Turkey is also considering a draft law on the "Foundation of Micro-Finance Organisations" as well as a review of the «Law on Financial Services" in order to allow for a new class of licensed banking institutions that focus only on the microfinance market.

In the UK the Community Development Finance Association (CDFA) is preparing a Code of Practice which will be binding on its members and which will make provision for standards in lending. It is also developing a broader performance framework covering not just the governance issues covered by the Code of Practice but broader CDFI practice. Once developed, the framework will create a self-regulated structure for CDFIs. The performance framework has five keys areas which include both quantitative and qualitative indicators and principles. The five areas are financial, operational, organisational, market awareness and impact.

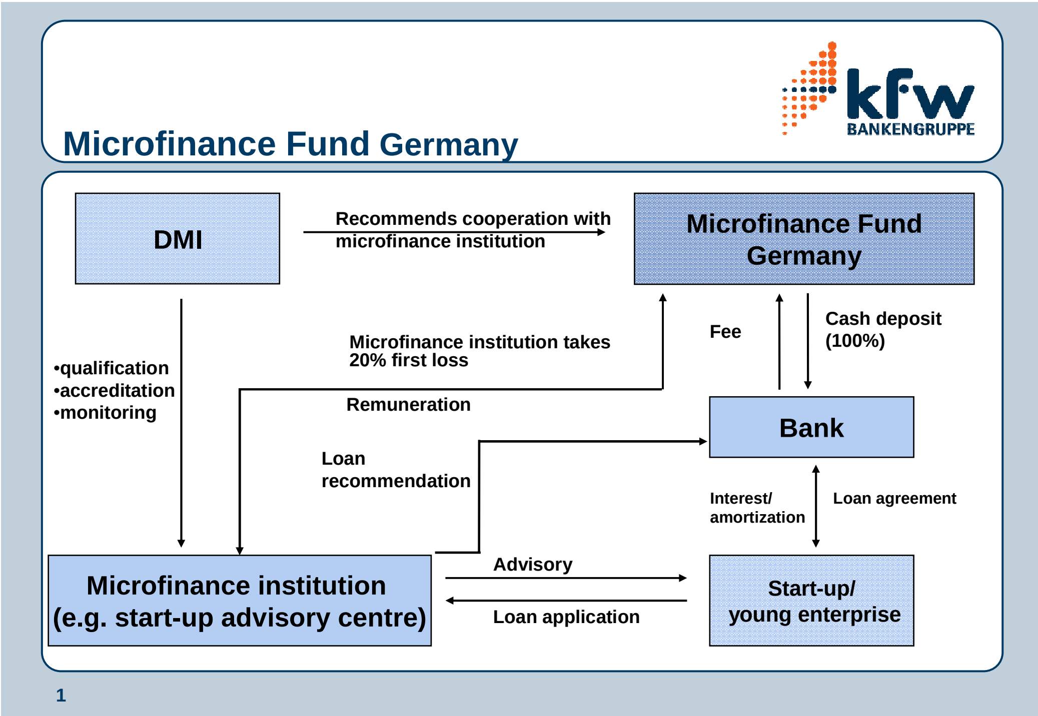
58 See „Overview of the Microcredit Sector in Europe 2004-2005", EMN Working Paper, 2006.

In September 2006 the Microfinance Fund was created in Germany. In this new initiative[59], banks, micro-finance providers and the German Microfinance Institute (DMI) co-operate with the fund. The DMI accredits business support/microfinance institutions (start-up advisory centres) that make loan recommendations to participating banks.

The banks pay out small loans up to EUR 10 000 and are the formal contracting partner for the borrowers. However, banks are not involved in the operations in detail and do not have to take any credit risk. Their activities concerning on-lending and administration are compensated by a part of the interest paid by the borrower.

The business support organisations assume 20% of the liability of the recommended loans (fist-loss liability), the other 80% being assumed by the Fund. Microfinance institutions provide pre-loan advice and monitor the payback period. Thus a crucial element of the fund concept is to combine advisory and lending/monitoring operations at local level in the microfinance institutions that have good information regarding the entrepreneurs' needs and affairs.

For their advisory and monitoring efforts, microfinance institutions receive 10 % of the repayments by the borrowers. These repayments are financed by the Fund's returns. The involvement of microfinance institutions in risk allocation provides a strong incentive for them to work efficiently concerning the selection of borrowers and repayment monitoring. The central task of the DMI is to monitor the quality of the microfinance institutions' operations and processes. Thanks to the Fund concept, banks can learn about business opportunities in microfinance and are protected by the Fund guarantee, which aims to create incentives for banks to provide more microloans in the future.



Source: Abel, Susamme (2007): The Microfinance Fund Germany, in: Microfinance in Germany and Europe – Market Overview and Best Practice Examples, Published by KfW, Frankfurt.

59 By KfW and the German Microfinance Institute (DMI), supported by the Federal ministry of Economics and Technology, the Federal Ministry of Labour and Social Affairs and GLS Bank. For urther information see: Abel, Susamme (2007): The Microfinance Fund Germany, in: Microfinance in Germany and Europe – Market Overview and Best Prqactice Examples, Published by KfW, Frankfurt.

6. Conclusions

There are no specific regulations for microcredit in Europe with the exception of two countries: France and Romania. The regulations address the provision of microcredit in two basic institutional ways: the bank model and the non-bank model.

EU banking directives do not relate to credit alone and therefore do not have a direct impact on microcredit. For the bank model, the factor determining whether an institution falls under the scope of EU banking legislation is the right to take deposits. However, national legislation restricts lending to banks only in some countries.

For non-banks the fundamental question is whether existing legislation is suitable for operations. The absence of prudential regulation and supervision in itself poses no binding constraint on the development of microcredit, rather the contrary. The bottleneck is the scarcity of funding sources available.

In France a law, together with the abolition of the interest rate cap, has helped to make funding for an MFI working with a certain type of end client easier and more efficient. The restriction to lend only to recipients of minimum welfare avoids competition with the bank sector and is therefore complementary to the banks' financing activities.

Formal regulation can address the risks of failure of an MFI, the loss of investors' money and other market failures. However, the costs of even a minimal regulatory regime can be prohibitive for some MFIs as the situation in Romania seems to indicate. A self-regulatory approach could be a reasonable compromise, as is being considered by the UK's Financial Services Authority.

Apart from regulatory constraints, cost factors play a decisive role for microcredit. In the bank model, apart from lack of sufficient collateral, high handling costs can make the provision of microcredit unprofitable.

It must be noted that, especially in the EU 15, non-bank MFIs are characterized by a high degree of grant-dependency. However, funding can make economic sense for Member States' because the costs for job-creation via self-employment are lower than the costs of unemployment benefits[60].

Many MFIs cannot operate profitably enough to pay the market price for a large portion of their funding without eating away their capital. Here tax incentives or additional funding sources for investment in microfinance could be used to address this problem.
However, to be better able to tap funding from the financial markets, non-bank institutions should work on their operational performance with a view to becoming more sustainable.

Public support schemes have proved to be an important complementary tool for microcredit. It should especially be noted that guarantee schemes have to be based on confidence in their capital base. Consequently, Member States should set up rules on the managerial capacity of guarantee schemes and on the extent of their commitments, their liquidity and their solvency. Such a legal and prudential framework could either be in line with banking laws or could be of a more specific nature.

Closer cooperation between banks and MFIs could be a win-win situation. Banks could profit from cost reduction and could learn from MFIs, while the MFIs could learn about professional banking standards in order to reach higher sustainability levels.

There are good reasons for both models, as they have advantages and disadvantages, which can be compensated, if both are used in such a way that they do not interfere and do not create unfair competition.

7. Recommendations

As the expert group focused on regulation, their recommendations are mainly addressed to the Member States. Some members of the group preferred European harmonisation of the non-bank microfinance sector but there was no consensus on this point, as others felt the variety of existing institutional forms not only reflects the broad spectrum of microcredit activities but also enables them. Therefore, the major part of the group saw no need for legislative action at European level.

1. Allow for lending by non-banks

For non-bank institutions, national legislation should allow the operation of a range of financial institutions, including MFIs, which concentrate on credit–only activities. Member States could use the scope given by European banking legislation to allow microcredit by non-banks.

This would be especially beneficial for market segments where banks do not intervene, e.g. socially and financially excluded people. Here Member States can consider if allowing microfinance by non-banks makes sense for their welfare system because the cost of unemployment can be reduced.

2. Avoid setting interest rate caps too low

Too low interest rate caps can hinder the provision of microcredit because they prevent the coverage of higher risk and higher administrative costs. Interest rates on microloans should make risk-adjusted, cost-covering lending to business possible.

However, Member States should ensure that certain minimum quality standards for the pricing of microcredit are applied. Transparent information and understandable conditions for microloans must be taken as preventive measures against usury and predatory lending.

3. Ensure minimum legislative standards for non-banks

Legal requirements for non-bank microcredit providers that should be addressed in any case, although not necessarily through new legislation, include: registration and legal charters of entities; disclosure of ownership and control; reporting or publication of financial statements; transparent disclosure of interest rates to clients; and submission of names of borrowers and status of their loans to credit bureaus.

4. Create a favourable general environment for micro-enterprises

A complementary and recommended way to foster the demand for microcredit could also be to reduce legal, fiscal and administrative barriers hampering self-employment, in order to create a favourable environment for micro-enterprises, including favourable tax rules and easy business registration.

Annex 1 – Country templates

Austria

Main Laws and normative acts

Austrian Banking Act *(Bankwesengesetz 32/1993[61])*

Description: There is no special regulation concerning microcredit. The institutions concerned by the Austrian Banking Act are commercial banks, state-owned promotional banks, savings banks and credit unions.

Various Guidelines of public support programmes *(Garantieprogramme "Mikrokredite" und "KMU-Haftungen" der Austria Wirtschaftsservice: www.awsg.at)*

Description: Aid scheme guidelines are the basic regulatory framework for supporting microcredit. The institution concerned is the state-owned promotional bank.

61 Last changed by BGBl 141/2006.

Austria

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/private support for microcredit			
			Principal sponsor	F*	G*	Further or other form of support
State-owned or Promotional banks	●	medium	Government (Ministry of Economics and Labour, Ministry of Finance) with EIF-Counter-Guarantee		●	Guarantee Programme for Start-up-Companies and Small Enterprises by Austria Wirtschaftsservice Ges.m.b.H. (state owned guarantee and promotion institution)
Savings banks	●	medium	Savings banks are active in this field.			No support programme.
Credit unions	●	medium	Credit unions are active in this field.			No support programme.
Commercial banks	●	medium	ESF (EQUAL-projects), Ministry of Economics and Labour, Government of the federal state Styria	●		Regional co-operations between a bank (Raiffeisen) and a) an EQUAL-financed project in Styria (co-financed by the Austrian Ministry for Economic Affairs); b) SFG (the public promotion institution of Styria)
Downscaling						
Microcredit banks						
Foundations						
NGOs						
Guarantee societies	●	medium	see under State-owned or Promotional banks		●	See under State-owned or Promotional banks
Others: a.) Some regional Chambers of Commerce b.) Support programmes on regional level; e.g. the new iniative of the Styrian support Agency SFG	●	high	a) Regional Chamber of Commerce in cooperation with the provinces and local banks b) in Styria: EU, Styria, Ministry of Economics and Labour	●		a) Small loans for members of the Chamber of Commerce. The programme is organised as cooperation with banks and provinces. b) Detailed information on the Styrian initiative, administered by the Styrian support Agency SFG, can be found under www.sfg.at

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*F=Funding, *G=Guarantee

Belgium

Main Laws and normative acts

Law of 12 June 1991 related to consumer credit
(Loi du 12 juin 1991 relative au crédit à la consommation, MB 09-07-1991

Arrêté royal of 4 August 1992 related to costs, rate, duration and reimbursement of consumer credit *(Arrêté royal du 4 août 1992 relatif aux coûts, aux taux, à la durée et aux modalités de remboursement du crédit à la consommation, MB 08-09-1992)*

Description: The 12 06 1991 law related to consumer credit describes aspects related to usury rates, legally permitted and prohibited activities, advertising, contracts, credit intermediary etc. The Institutions concerned are commercial banks, state-owned promotional bank and cooperative savings banks.

Law of 22 March 1993 related to credit institution legal status and control *(Loi du 22 mars 1993 relative au statut et au contrôle des établissements de crédit, MB 19-04-1993)*

Description: The 22 03 1993 law related to credit institutions rules aspects related to conditions of access to credit institutions activity, conditions of exercise of credit institutions activity and bank control measures. The institutions concerned are foundations.

Belgium

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned or Promotional banks	●	medium	Belgian state	●	●	
Savings banks						
Credit unions						
Commercial banks	●	medium				
Downscaling						
Microcredit banks						
Foundations						
NGOs	●	medium	Belgian state institutions and private investors	●	●	A private investor (a bank) has allocated personnel on the project
Guarantee societies						
Others						

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Bulgaria

Main Laws and normative acts

Credit institutions Law, Bank Law, Commercial Law, SMEs Law

Description: There is no special law concerning microcredit. The regulation is related to credit institutions and loans. The Credit Institutions Law regulates credit institutions, banks and other financial actors that can provide loans. The Bank Law regulates subjects related to banks and respectively loans (in this sense also microcredits). In the Commercial Law a special part refers to bank credit – definition, form and requirements of bank credits are specified there. The SMEs Law envisages the provision of guarantees to SMEs to cover their credit risks and also covers the provision of credits to SMEs by the Encouragement Bank, which is state-owned. The institutions concerned are commercial banks, foundations, NGOs and the state-owned bank.

Non-profit Legal Persons Act

Description: Credit unions, foundations and NGOs are registered under the Non-profit Legal Persons Act. These organisation can provide loans if they do not use public deposits and do not distribute profit.

Bulgaria

Providers of microcredit and public/ private support mechanism

Form of institution		**Relevance**	**Form of public/ private support for microcredit**			
			Principal sponsor	F*	G*	Further or other form of support
State-owned or Promotional banks	●	medium	Commercial banks	●		Commercial banks have different policies about guarantees and conditions of microcredits and recently offer flexible conditions depending of the credit history of the applicant.
Savings banks			Foundations	●		Foundations and NGOs in Bulgaria are registered under Non-profit Legal Persons Act.
Credit unions	●	low	NGOs	●		Foundations and NGOs provide microcredits around 15 000 EUR.
Commercial banks	●	high	MLSP Project "Microcredit Guarantee Fund	●	●	The Fund guarantees 100 % of the credit for start-ups and 70 % for the rest of SMEs. The fund provides interest subsidy for SMEs owned by persons with disabilities.
Downscaling			State-owned Encouragement bank	●		The state-owned Encouragement bank is the only bank, legally bounded to support SMEs. The bank offers longer liquidation periods (up to 10 years) and grace period up to 3 years.
Microcredit banks			Pro-credit bank	●		Main clients are micro and small enterprises. Flexible collateral policy. There is a leasing scheme for production equipment.
Foundations	●	low				
NGOs	●	low				
Guarantee societies						
Others: MLSP Project "Microcredit Guarantee Fund"	●	medium				

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*F=Funding, *G=Guarantee

Cyprus

Main Laws and normative acts

Banking Laws 1997 to 2005*(Οι περί Τραπεζικών Εργασιών Νόμοι του 1997 έως 2005)*

Description: the provision of all credit incl. microcredit is covered by the banking laws 1997 to 2005. There is no usury rate in effect. A basic rate (currently 4.50%) is set by the Central Bank of Cyprus to provide a starting point for the provision of credit. To this basic rate each commercial bank adds a premium calculated by/depending on the amount of the loan involved, the inherent risk of the project, the trustworthiness of the loan receiver etc. All legal economic activities are eligible for receiving credit. The adoption of Euro as the national currency as from 1.1.2008 is not expected to have any serious repercussions on the provision of credit. The Institutions concerned are commercial banks.

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned or Promotional banks						
Savings banks						
Credit unions						
Commercial banks	●	low to medium	Ministry of Commerce, Industry and Tourism	●	●	Direct funding and guarantees through specialised schemes. The prior consent of banks is required in the case of guarantees.
Downscaling						
Microcredit banks						
Foundations						
NGOs						
Guarantee societies						
Others						

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Czech Republic

Main Laws and normative acts

Banking Act No. 21/1992 Coll.
Law 47/2002 Coll.

Providers of microcredit and public/ private support mechanism

Form of institution	Microcredit	Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned or Promotional banks	●	medium	State budget and structural funds	●	●	
Savings banks						
Credit unions						
Commercial banks	●		none	●		
Downscaling						
Microcredit banks						
Foundations						
NGOs						
Guarantee societies						
Others						

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Finland

Main Laws and normative acts

Credit Institution Act, Legislation on Other Credit Institutions
(*Laki luottolaitostoiminnasta, Laki liikepankeista ja muista osakeyhtiömuotoisista luottolaitoksista 28.12.2001/1501,Säästöpankkilaki 28.12.2001/1502, Laki osuuspankeista ja muista osuuskuntamuotoisista luottolaitoksista 28.12.2001/1504, Laki valtion erityisrahoitusyhtiön perustamiseen liittyvistä järjestelyistä 18.6.1998/442, Laki valtion erityisrahoitusyhtiöstä 18.6.1998/443, Laki valtion erityisrahoitusyhtiön luotto - ja takaustoiminnasta 18.6.1998/445)*

Description: There is no specific regulation for microcredits. The Credit Institutions Act limits risk-taking by the banks. Legislation on Other Credit Institutions: in addition the operations of deposit banks are regulated by the Act on Commercial Banks and other credit Institutions in the form of a limited company, the Act on Co-operative Banks and other Co-operative Credit Institutions and the Savings Banks Act.

The development of micro-credit in general has shaped up from co-operative business, trade and dairy operations, which have started financing in agriculture. This activity has been developed especially by the co-operative banking sector. In Finland microcredit granted by banks is any small amount of credit (less than EUR 20 000) targeted at private people, enterprises, consumer credit, credit card credit.

Act on Social Credit *(Laki sosiaalisesta luototuksesta 20.12.2002/1133)*

Description: This act concerns municipalities, local authorities, communities, rural districts and township granting a so-called social credit targeted at people with low income, no access to other finance institutions, mainly for personal purpose. Social credit is a credit of social welfare service, targeted to prevent social exclusion and over leverage.

Finland

Providers of microcredit and public/ private support mechanisms

Form of institution		**Relevance**	**Form of public/ private support for microcredit**			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned or Promotional banks	●	high	State		●	Partial credit loss compensation, interest rate subsidy to be transferred to the borrower.
Savings banks		low				
Credit unions	●	low				
Commercial banks	●	low				
Downscaling	●					Finnvera´s microcredit schemes are a kind of downscaling of the SME-lending.
Microcredit banks		low				
Foundations		low				
NGOs		low				
Guarantee societies	●	medium	State, Structural Funds, EIF		●	Partial guarantee loss compensation ERDF, Guarantee premium subsidy, counter guarantee of EIF
Others: Local Development and Employment centres	●			●		Grants for business start-ups, "start money".

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France

Main Laws and normative acts

Monetary and Financial Code (article L.511-6-5 and articles from L.518-57 to L.518-64) *(Code monétaire et financier (article L.511-6-5 et articles L.518-57 à L.518-64))*

Description: The article L.511-6-5 of the Monetary and Financial Code (15 May 2001 Law) allows non profit associations to grant loans to unemployed people and people who live mainly on social benefits for a project relating to a company creation or development. These loans are based on the associations' equity or on funds borrowed from commercial banks. The associations must be authorized by a special committee, which checks their ability to grant loans and support people in their project. The associations must meet certain conditions to be allowed to grant loans and the loans must comply with certain criteria. These obligations are also described in the articles L.518-57 to L.518-64 of the Monetary and Financial Code (30 April 2002 Decree). Above all, loans must bear interest, not exceed EUR 6000 and meet all the conditions of the Banking Law. The institutions concerned are NGOs and commercial banks.

18 January 2005 Law *(Loi n° 2005-32 du 18 janvier 2005 de programmation pour la cohésion sociale*

Description: The 18 January Law 2005 has created the Social Cohesion Fund which is governed by the Caisse des Dépôts et Consignations. The SCF provides financing to guarantee societies which provide guarantees to microcredit associations. The institutions concerned are guarantee societies.

France

Providers of microcredit and public/ private support mechanisms

Form of institution		**Relevance**	**Form of public/ private support for microcredit**			
			Principal sponsor	Funding	G*	Further or other form of support
State-owned or Promotional banks	●	medium	OSEO BDPME			Even if it is not in the scope of the Monetary and Financial Code L.511-6 article, OSEO BDPME provide small loans (Prêts à la création d'entreprises).
Savings banks						
Credit unions						
Commercial banks	●	low		●		Commercial banks provide funds to microcredit associations
Downscaling						
Microcredit banks						
Foundations						
NGOs	●	high	Association pour le droit à l'initiative économique	●		Associations which have been allowed by the microcredit Committee to grant microcredit loans
Guarantee societies	●	high	France active garantie			Guarantee societies provide guarantees to microcredit associations.
Others: Social Cohesion Fund	●	high	Caisse des dépôts et consignations		●	The SCF provides financing to guarantee societies

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*F=Funding, *G=Guarantee

Germany

Main Laws and normative acts

German Banking Act *(Kreditwesengesetz KWG)*

Description: KWG is a federal law containing acts for banks and institutes for financial services. The main purpose of KWG is to obtain a functioning and secure credit service sector and to protect creditors against losses. According to paragraph 32 of KWG a written permission from the German Financial Supervisory Authority BAFIN is required for banks to conduct banking transactions (including granting microcredits). The Institutions concerned are commercial banks, cooperative and savings banks, guarantee societies and NGOs.

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned or Promotional banks	●	high	Federal Republic of Germany, Federal States, European Union	●	●	Microcredits are not granted directly by the Promotional banks, they are on-lend mainly by Saving and Cooperative banks.
Savings banks	●	high	Promotional banks	●		Saving banks usually just on-lend microcredits from Promotional banks. They get a margin for doing so and the main part of liability is assumed by Promotional banks.
Credit unions	●	high	Promotional banks	●		Credit unions usually just on-lend microcredits from Promotional banks. They get a margin for doing so and the main part of liability is assumed by Promotional banks.
Commercial banks	●	low	Promotional banks	●		
Downscaling						
Microcredit banks						
Foundations						
NGOs	●	low	Federal Republic of Germany, Federal States, Local Authorities, Promotional Banks		●	NGOs also support micro-lenders by coaching, qualification and monitoring
Guarantee societies	●	low	Chambers and Guilds		●	
Others						

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Hungary

Main Laws and normative acts

Act CXII of 1996 on Credit Institutions and Financial Enterprises *(1996. évi CXII. törvény a hitelintézetekről és a pénzügyi vállalkozásokról)*

Description: This Act regulates the activities of credit institutions and financial enterprises. Financial enterprises do not have bank status and are allowed to lend but not to collect deposits. MFIs acting in the current Microcredit Program are operating in the form of foundations and are not subject to the Act regarding this activity. The Institutions concerned are commercial banks, state-owned promotional bank and cooperative savings banks.

Microcredit Manual *(Mikrohitel Kézikönyv)*

Description: The Microcredit Manual contains the detailed rules of the Microcredit Program The Microcredit Fund founded by PHARE programs and state subsidies, is financing this nationwide program that disburses loan though the Local Enterprise Agency Network. The institutions concerned are foundations.

Providers of microcredit and public/ private support mechanisms

Form of institution		**Relevance**	**Form of public/ private support for microcredit**			
			Principal sponsor	Funding	Guarantee	Further/other form of support
State-owned or Promotional banks	●		State-owned development bank	●	●	The Hungarian Development Bank extends cheap credit through MFIs.
Savings banks	●	low				No support, small volume.
Credit unions						
Commercial banks	●	low				No support, small volume.
Downscaling						
Microcredit banks						
Foundations	●	high	EU Phare, State Budget	●	●	A state-owned fund originating from Phare and state budget resources.
NGOs						
Guarantee societies						
Others						

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Ireland

Main Laws and normative acts

Credit institutions Law, Bank Law *(Central Bank and Financial Services Authority of Ireland Bill 2003)*

Description: The Institutions concerned are commercial banks, state-owned promotional bank and cooperative savings banks.

Industrial Development Act 1998 (Enterprise Ireland), Industrial Development Act 1995

Description: Enterprise Ireland, State Agency supporting Irish Enterprises, City and County Enterprise Boards statutory remit.

Form of institution		**Relevance**	**Form of public/ private support for microcredit**			
			Principal sponsor	Fund =ing	Tax incent ives	Specify further or indicate other form of support
State-owned or Promotional banks	•	medium	State Agencies and taxation system	•	•	State development agencies make investments in microcredit through refundable aid, grants and tax incentives for early phase enterprises and growth focused on Internationalisation
Savings banks				•		
Credit unions	•	low	NGOs	•		Credit Unions are involved in microcredit through personal loans to individuals who are mostly self employed or microbusiness
Commercial banks	•	high	Small Business Loans mostly secured	•		Commercial Banks have been used to deliver on some of the EU backed SME funding initiatives and have also partnered with socially oriented bodies in funding start up.
Downscaling						
Microcredit banks	•	low	Not for Profit Socially inclined investments	•		A number of "not for profit" organisations exist, who make funding available to social enterprises and entrepreneurs facing significant economic challenges
Foundations	•	low				Some evidence of foundations and funds supported by Corporations and social investment
NGOs	•	medium	First Step Microcredit NGO acting as lender to microbusiness	•		Microcredit < 25,000 euros unsecured and by way of loans at modest interest rate
Guarantee societies						
Others County Based Enterprise Funds and County Enterprise Boards	•	medium	County Focused	•	•	Main interventions available from State are delivered at County Level and are in the range 5k > 75k, usually a combination of grant aid and refundable aid and State sees role in this space declining and being taken over by private inveestment

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Italy

Main Laws and normative acts

Single Banking Act Law n.385/1993 *(Legge n.385/1993 (Testo Unico Bancario))*
Legislative Decree n.58/1998 *(Decreto legislative n.58/1998 (Testo unico delle disposizioni in materia di intermediazione finanziaria)*

Description: The financial activity is ruled by a specific legislation of the Italian government and by the regulations of the credit authorities. The law states that credit can be provided by banks or by financial intermediaries only if:

1) they have been authorized by the Italian Central Bank;
2) they comply with requirements relative to: the legal form (corporate company limited by shares, cooperative, limited liability company); carry out exclusively financial activity; minimum equity (five times the stock capital compulsory for the corporate company limited by shares (i.e. EUR 500 000); respect the established ratio between equity and debt;
3) they are non-bank financial intermediaries, established in a cooperative form, who provide credit only to their members.

The institutions concerned are commercial banks and financial cooperatives**.**

Law n.108/1996 – Anti-usury law *(Legge Anti-usura)*

Description: The usury rate is determined by the Law n.108/1996. Every three months the UIC (one of the Italian Credit Authorities) publishes the usury cap (e.g. for the period from April to June 2007: 8,58% for loans with a fix interest rate and 7,65% for loans with variable interest rate). The institutions concerned are credit unions and banks.

Italy

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Funding	Guarantee	further or form of support
State-owned or Promotional banks						
Savings banks						
Credit unions						
Commercial banks	●	low	Public Authorities	●	●	
Downscaling						
Microcredit banks						
Foundations	●	low			●	
NGOs	●	low	Foundations - Banks	●		
Guarantee societies	●	medium				
Others: Financial cooperatives		high	Public Authorities	●		

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Latvia

Main Laws and normative acts

Credit institution law *(05.10.1995. Kredītiestāžu likums)*

Description: This law regulates credit institutions in general: their legal status, activities, responsibility and supervision. The Institutions concerned are commercial banks and the state-owned promotional bank.

Credit union law *(29.03.2001. Krājaizdevu sabiedrību likums)*

Description: The aim of this law is to promote access to finance as well as regional development by encouraging the involvement of the Latvian population in the national economy. The institutions concerned are credit unions.

Latvia

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Fun ding	Gua ran tee	Further or other form of support
State-owned or Promotional banks	●	medium	Mortgage and Land Bank of Latvia (MLB)	●	●	One of MLB's priorities is financing SMEs. High risk loans are accessible for SMEs and start-ups with promising and competitive investment projects, which cannot get financial support from commercial banks. MLB offers preferential collateral requirements, in the case of micro-loans with a personal guarantee and no collateral. This loan programme is co-financed by ERDF and the EIF provides counter-guarantees. MLB has introduced also an obligatory pre-loan coaching programme (co-financed by the ESF) for start-ups (business plan contest).
Savings banks						
Credit unions	●	medium	Association of Latvian Credit Unions	●		In 2006 there we operating were 35 credit unions with total assets of appr.11 m EUR (0.05% of bank's assets). By the end of 2006 tthe amount of loans reached 89 % of total assets (57 % are consumer loans, 39 %-mortgage loans). MLB co-operates with credit unions by granting loans to credit unions and their members, giving IT assistance and providing expertise to initiative groups on creating new credit unions.
Commercial banks	●	medium		●		Lately, thanks to EU Structural funds, more commercial banks are involved in financing SMEs and start-ups. Several banks (e.g. Hansabanka, SEB Unibanka) have introduced special service packages for start-ups (including overdraft, internet banking etc.) In April, 2007 DnB Nord Banka has opened SME Service Centre dealing with both financing and consultations of SME's/ start-ups. There is poor statistical evidence on microcredits provided by commercial banks (at the end of 2006 the average loan size was EUR 174 000, for micro-enterprises the average loan size was EUR 72 000).
Downscaling						
Microcredit banks						
Foundations						
NGOs	●	medium	Female Entrepre= neurs in the Baltic Sea Region (Interreg IIIB Project)	●		The project (2004-2007) aims to create a structure for the support of women's entrepreneurship. One of project's activities is to develop network of women micro-credit groups.
Guarantee societies	●	medium	Latvian Guarantee agency (LGA)		●	LGA provides loan guarantees up to 70% (co-financed by ERDF) to SMEs and start-ups with insufficient collateral. LGA guarantees. Another guarantee institution, the Rural Development Fund (RDF) guarantees projects in agricultural and rural sector.
Others						

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Lithuania

Main law and normative acts

Financial institutions Law, Banks Law, Credit unions Law, SME Law and State Debt Law *(2002-10-10 Finansų įstaigų įstatymas Nr. IX-1068, 2004-03-30 Bankų įstatymas Nr. IX-2085, 2000-05-18 Kredito unijų įstatymas Nr.VIII-1683,2002-10-22 SVV (Smulkaus ir Vidutinio Verslo) įstatymas Nr. IX-1142, 2005-06-16 Valstybės skolos įstatymas Nr. X-251)*

Description: In Lithuania there is no specific regulation for microcredit. The Financial institutions Law regulates the activity of the credit institutions (commercial banks and credit unions) and other financial institutions that can provide credits (microcredits also), and that can provide guarantees. The Bank Law and Credit Unions Law regulates subjects related to banks, credit unions and respectively loans (in this sense microcredits also). In the SME Law microcredits are entitled as one of the possible forms of the State support for SMEs. The State Debt Law regulates the activity of the guarantee institutions, established by the State.

Lithuania

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Fund =ing	Guarantee	Further or other form of support
State-owned or Promotional banks						
Savings banks						
Credit unions	●	medium		●		
Commercial banks	●	high	1) State; 2) EIF; 3) Commercial banks - partners of EC projects,	●	●	1) the State and the Foreign commercial banks in the form of the target loans provide financial resources; 2) EIF is going to provide guarantee on the existing commercial banks' portfolio of microcredits and thus leverage the additional financial resources for the further microloans without the need for the bank to increase the equity to ensure the proper equity ratio.
Downscaling						
Microcredit banks						
Foundations						
NGOs						
Guarantee societies	●	medium	1) State 2) EIF		●	1) The State guarantee institution (INVEGA) provides up to 80 percent guarantees on microcredits, thus minimizing the credit risks for the credit institutions. INVEGA is also administering other financial support instruments for SMEs: partial reimbursement of interests paid to the credit institution; partial reimbursement of the guarantee premium of the guarantee. 2) EIF provides a 50% counter guarantee on the INVEGA's guarantee portfolio of microcredits (for investments with the maturity not less then 2 years)
Others						

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Luxembourg

Main laws and normative acts

No special regulation, but covered by Consumer Credit Law (Loi du 9 août 1993 réglementant le crédit à la consommation)

Description: There is no special microcredit regulation. Microcredit is regulated by the laws and regulations concerning the financial sector. There is no usury rate fixed by law. The Institutions concerned are commercial banks and the state-owned promotional bank. Existing tools like "Credit d'équipement" and "Prêt de démarrage" have been adapted in order to be used as microcredit to SME. These are the two tools used to support SME credit in the range of 5 000 – 25 000 EUR. Further adjustments will be made if the market need for it emerges.

Providers of microcredit and public/ private support mechanisms

Form of institution		**Relevance**	**Form of public/ private support for microcredit** (if available)			
			Principal sponsor	Funding	Guarantee	Specify further or indicate other form of support
State-owned or Promotional banks	●	low	PUBLIC	●		The "PRET DE DEMARRAGE» and "CREDIT D'EQUIPEMENT" give partial funding in a project. These tools were adapted in order to be microcredit compliant, e.g. minimum amounts were corrected
Savings banks						
Credit unions						
Commercial banks	●	medium	PRIVATE	●		Microcredits are given to their customers (SME) in their everyday bank relation, even if the percentage of microcredits is quite limited.
Downscaling						
Microcredit banks						
Foundations						
NGOs						
Guarantee societies	●	low	PRIVATE		●	Two guarantee societes exist: Mutualités des Artisan and Mutualité des Commercants. They work with the SNCI and commercial banks, when they guarantee loans.
Others						

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Poland

Main laws and normative acts

Banking law *(Prawo bankowe),* ***Civil code*** *(Kodeks Cywilny);* ***Capital for the entrepreneuriat -the Government program to develop the system of loan and guarantee funds for small and medium-sized enterprises in the years 2002-2006****(„ Kapitał dla Przedsiębiorczych" - Rządowy program rozbudowy funduszy poręczeniowych i pożyczkowych dla małych i średnich przedsiębiorstw w latach 2002-2006),* ***Sectoral Operational Programme: Improvement of the Competitiveness of Enterprise*** *(Sektorowy Program Operacyjny „Wzrost Konkurencyjności Przedsiębiorstw"),* ***State Aid Regulation*** *(Dz.U. 123.1291, d 30 April 2004) Ustawa z dnia 30 kwietnia 2004 r. o postępowaniu w sprawach dotyczących pomocy publicznej (Dz. U. Nr 123, poz. 1291),* ***Decree of Ministry of Economy – detailed conditions of support micro-credit funds*** *(Dz. U. 167.1184 , 2006, 4 September 2006) (Rozporządzenie Ministra Gospodarki z dnia 4 września 2006 r. w sprawie szczegółowych warunków udzielania pożyczek ze środków wsparcia udzielanego przez Polską Agencję Rozwoju Przedsiębiorczości Dz. U. Nr 167, poz. 1184)*

Description: According to the above mentioned laws, the requirements to set-up a micro-loan fund are as follows (which apply for micro-credit funds supported by public resources). According to its statue the fund has to operate not-profit or allocate the profit for its statutory goal. The micro-loan fund is a legal entity, which, by resolution of a relevant body, sets up a separate block of finance to grant loans to micro and small sized enterprises. The amount of any loan given cannot exceed 120 000 zloty (app. **EUR 30 000**). Loans shall not be provided to enterprises in difficulty within the meaning of the Community Guidelines on State aid for rescuing and restructuring firms in difficulty (O.J. C 288, 9.10.1999). Finally, a risk assessment must be carried out.

Poland

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned/promotional banks						
Savings banks						
Credit unions						
Commercial banks	●	medium				
Downscaling						
Microcredit banks						
Foundations						
NGOs	●	medium	European Union Resources, State Budget, Authorities, World Bank, Resources from bilateral contracts between Poland and Switzerland, Poland and Canada	●	●	
Guarantee societies						
Others						

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Portugal

Main laws and normative acts

Legal Framework of Credit Institutions and Financial Companies *(Regime Geral das Instituições de Crédito e Sociedades Financeiras - http://www.bportugal.pt/publish/legisl/rgicsf_p.pdf)*

Description: This law regulates the activities of credit institutions and financial enterprises. Financial enterprises do not have bank status and are allowed to lend but not to borrow. The Institutions concerned are commercial banks, state-owned and savings banks.There is no specific legislation for microcredit or microfinance institutions.

Providers of microcredit and public/ private support mechanisms

Form of institution		**Relevance**	**Form of public/ private support for microcredit** (if available)			
			Principal sponsor	Funding	Guarantee	Specify further or indicate other form of support
State-owned or Promotional banks	●	low				CGD bank has microcredit solutions (loans up to EUR 25 000)
Savings banks						
Credit unions						
Commercial banks	●	medium			●	Microcredit solutions: - Millennium BCP (up to EUR 15 000). - Banco BPI with MGS's (until EUR 25 000 and for regional development up to EUR 45 000). - BES (up to EUR 5000) and with MGS's for regional development (up to EUR 45 000)
Downscaling						
Microcredit banks						
Foundations						
NGOs	●		IEFP	●		ANDC has a non-financial service and protocols with commercial banks: BCP, CGD and BES.
Guarantee societies	●	low				MGS's has micro credit solutions preferably (for micro firm (<10 employees) and in association with commercial banks- see above)
Others: IEFP	●	low		●		The public employment institute with direct financing on investments for first job auto-employment

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Romania

Main laws and normative acts

Law regarding the banking activity
Microfinance companies' law

Description: This law has the purpose to create the legal framework for the organization, operation and development of the microfinance commercial companies. In 2005 there were 256 microcredit companies and one year after endorsing the microcredit society's law, 14 microcredit companies were notified in the Evidence Register.

Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned or Promotional banks						
Savings banks	●	low	Saving House	●		Credits, deposits, cash management, other services
Credit unions						
Commercial banks	●	high	Romanian Development Bank, Romanian Commercial Bank, Transilvania bank, HVB bank etc.	●		E.g. the Transylvania Bank product "One hour credit for SMEs"
Downscaling	●	high	almost all banks	●		Downscaling for current activities, credits for providers' payment, investment credits.
Microcredit banks	●	medium	Procedit Bank, Miro Bank	●		BUSINESS CREDIT, INVESTMENT CREDIT, RAPID CREDIT - Miro bank Main clients are micro and small enterprises. Flexible collateral policy. Leasing scheme for productive equipment - ProCredit bank
Foundations	●	low	East-West Mission, Foundation Romania	●		The Alpha Project for supporting the Christian Romanian Entrepreneur
NGOs	●	low	National Agency for Employment with International Bank for Reconstruction and Development through Centre for Economic Development	●		The program is developed through the Centre for Economic Development. The beneficiaries are companies with less then 15 employees.
Guarantee societies		medium	National Credit Guarantee Fund for SMEs, Rural Credit Guarantee Fund		●	Guarantee credits
Others: Revolving funds credit cooperatives, microcredit societies	●	medium		●		Their clients are mainly SMEs (start-ups) and cooperatives.

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Slovakia

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Regulation (EC) 69/2001, Regulation (EC) 1260/1999, Regulation (EC) 1159/2001, Regulation (EC) 448/2004

Description: The Banking Act No. 483/2001 regulates banks including providing financial support - loans, credits, guarantees etc.; Measure of the NBS No. 2/2003 – Loan and Guarantee Register of legal entities, which is managed under the National Bank of Slovakia; Law No 323/1992 - Notarial Order, Ministry of Justice Ordinance No. 607/2002 on the Notarial Central Liens Register Commercial Loan Register of all entities/persons; Law No 747/2004 – supervision of the financial market.

Commercial Code No 513/1991, Civic Code No. 40/1964, Income Tax Act No. 595/2003

Description: There is neither a special law on micro-credits nor current initiative to take this kind of law in Slovakia. When comparing activities of different players in the micro finance segment, it has to be taken into account that all apply different definitions with regards to micro financing. Furthermore, default rates do not seem to be available, although close management of default rates is critical to any player seeking to benefit from JEREMIE programme.

All measures, regulations and steps aiming to improvement of business environment for SMEs are related also to microcredit e.g. minimizing administrative obstacles and systematic reduction of administrative burden, simplifying administrative procedures for starting a business, reducing administrative demands, shortening and simplifying procedures for obtaining and utilizing support for SMEs, decreasing total employer costs for the workforce, simplifying administrative procedures of paying contributions by employers, expanding possibilities for providing guarantees and collaterals, decreasing the interest rate, speeding-up the justice systems, strengthening creditor rights, regulation of bankruptcy law etc.

Slovakia
Providers of microcredit and public/ private support mechanism

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	F*	Guarantee	Further or other form of support
State-owned or Promotional banks	●	high	State budget, public source, structural funds	●	●	Slovak Guaranty & Development Bank – 100% state bank's support programmes include guarantees (50% for micro-loans), loans (direct and indirect), micro-credits, grants, start-ups. "Businesswoman" direct loans, financed with support of EU, KfW and CEB, the amount ranges from 2.800 to 28.000 EUR with a max. maturity of 5 years. The "Micro-loan and Young Entrepreneur Programme" to support new and existing micro and small entrepreneurs, mainly in agriculture, retail sector, hotel & restaurant business, the amount is between 2.800 and 42.200 EUR. "MICROcredit" to small enterprises to support working capital related to business development, purchase of movable and immovable assets, reconstruction; amount in 2.800 – 42.000 EUR, maturity 5 years.
Savings banks						
Credit unions						
Commercial banks	●	medium	Private sources	●	●	Istrobanka, OTP Banka, Tatra banka, VUB, Unibanka, Slovak Savings Bank, CSOB, LB, Dexia Banka – provide micro-credits, small loans, start-ups, credits under specific rules. Different guarantees and collaterals are required.
Downscaling						
Microcredit banks						
Foundations	●	low	Private (domestic and foreign donors)	●		The Micro-fund of the INTEGRA Foundation – the support of new or already running business activities operated by women. Credits up to 2 800 EUR, maturity up to 2 years, the annual interest rate is 9.5%, 3 possible means of security: group pledge, third party pledge or pledging with assets.
NGOs	●	low	Private sources, domestic and foreign sponsors (foundations, funds etc.)	●		VOKA provides small group microloan to micro-entrepreneurs, unemployed, businesswomen, socially handicapped, rural entrepreneurs; EUR 550 – 14 000 EUR, maturity up to 15 months, liability required.
Guarantee societies						
Others NADSME state agency –National Agency for Development of SMEs Fund of Funds, Ltd. – company owned by the NADSME agency	●	medium low	Revolving funds (from Phare and state budget finances)	●	●	1. Micro-loan Programme launched in 1997 from Phare sources. Micro-credits may be used to acquire movable and immovable fixed assets, reconstruct operating space, purchase stocks, raw materials or merchandise. At present a micro-loan is min. EUR 1 400 EUR - max 42 000 EUR, period of maturity from 6 months up to 4 years, interest rate around 6,25%. Provisions through the network of regional co-operating centres (RAICs/BICs) - "MFIs". 2. Supplementary financial tool to investments provided to SMEs: Start-up Capital Fund (launched in 1994) and Regional Start-up Capital Fund (2002) established by contribution of Phare and state budget have been converted to revolving funds. Funds make investments under favourable conditions since they do not seek a guarantee in case of equity part, in case of subordinate loans guarantees are required. Investment period is 1 up to 5 years, investment target is set to SME in initial, start-up and development financing stages.

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*F=Funding, *G=Guarantee

Sweden

Main laws and normative acts

Legislation for Financial institutions *(Lag om bank- och finansieringsrörelse 2004:297. Förordning om bank- och finansieringsrörelse SFS 2004:329.)*

Description: The Institutions concerned are commercial banks, savings banks and guarantee societies.

Legislation about governmental financing by ALMI Företagspartner AB *(Förordning om statlig finansiering genom ALMI Företagspartner AB SFS 1994:1100)*

Description: Almi is obliged to take a higher interest rate then banks, due too a higher risk and not to compete with banks. There is no cap rate. The institutions concerned are foundations.

Providers of microcredit and public/ private support mechanisms

Form of institution		**Relevance**	**Form of public/ private support for microcredit**			
			Principal sponsor	Funding	Guarantee	Further or other form of support
State-owned or Promotional banks	●	high	Government	●		EIF-guarantee
Savings banks	●	medium				
Credit unions						
Commercial banks	●	high				
Downscaling						
Microcredit banks						
Foundations						
NGOs						
Guarantee societies	●	low	private and governmental	●		EIF-guarantee
Others						

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Turkey

Main law and normative acts

Banking Law No. 5411 *(5411 Sayılı Bankacılık Kanunu)****, Banking Act No.4839 (June 1999) as amended by the Act No.5020*** *(4839 Sayılı Bankalar Kanunu No:5020),* ***Capital Market Law No. 2499 (July,1981)*** *(2499 Sermaye Piyasası Kanunu),* ***Regulation on Capital Adequacy-Official Gazette No.24657 (Jan.2002)*** *(Sermaye Yeterliliği Hakkında Yönetmelik No: 24657)*
Regulation on the Establishment and Operations of Banks-Official Gazette No.2445 (June 2001) *(Bankaların Kuruluş ve Faaliyetleri Hakkında Yönetmelik No:2445)*

Description: Banks in Turkey are subject to the Banking Act and to the provisions of other laws pertaining banks**.**

Draft Law Related to Microfinance and the Financial Sector or Draft Law on Microfinance Institutions (*MİKROFİNANSMAN KURULUŞLARI HAKKINDA KANUN TASARISI)*
(See BDDK: www.bddk.gov.tr and UNDP sector development project: www.mikrofinansturkiye.org)

Description: Currently there is no clear legal framework that permits foundations, associations, NGOs or other non-bank organisations to provide microfinance services. In fact there appear to be restrictions on organizations like foundations and associations to collect money from the public. In order to support lending operations, NGOs have established independent for profit companies which have to comply with banking regulations and other relevant laws. Legislation is currently under consideration that would allow for both, deposit-taking and non-deposit taking banks.

Turkey - Providers of microcredit and public/ private support mechanisms

Form of institution		Relevance	Form of public/ private support for microcredit			
			Principal sponsor	F*	G*	Further or other form of support
State-owned or Promotional banks	●	medium	The largest players are state-owned: Halk Bank (serving industry and trade, SMEs) and Ziraat Bank (serving the agricultural sector).	●	●	Halk Bank lends money through a subsidized loan programme supported by Treasury. The State-owned banks mainly lend money to members of trade cooperatives (TESKOMB) and Agricultural Cooperatives. TESK (Turkish Tradesmen and Craftsmen Confederation) provides a guarantee for the loans subsidized by Halk Bank.
Savings banks						
Credit unions		low	TESKOMB, Agricultural Cooperatives Credit & Security Cooperatives			Only the Agricultural Cooperatives get funds from the state owned banks and lend money to their members.
Commercial banks	●	low		●		A number of (46) commercial banks channel small institutional resources on SME products.
Downscaling						A number of commercial banks have begun to focus institutional resources on developing products for SMEs.
Microcredit banks						
Foundations	●	low	The Development Foundation of Turkey (TKV), Foundation for the Support of Women's Work (KEDV), Pathfinder Fund (ABD), Bernard van Leer Foundation And MAYA Enterprise for Microfinance		●	The Development Foundation of Turkey (TKV) currently distributes a limited number of non-monetary start-up loans of 300-3000 USD with long repayment periods in Southeast Turkey. MAYA, (Foundation for the Support of Women's Work - Maya Enterprise for Microfinance) the first and the only microfinance institution. It finances its operations under through a grant and a loan from the international NGO CRS. As of June 2003, MAYA had 200 clients an outstanding loan portfolio of 55 Billion TL.
NGOs	●	low	MAYA, KEDV-Grameen Bank, Women Development Organisation			To provide low-income women with long-term financial services so that they can improve their businesses and their living standards, and become active participants in the economic life of Turkey. (see also: www.kedv.org.tr; www.undp.org.tr; www.mikrofinansturkiye.org)
Guarantee societies	●	low	KGF (Turkish Credit Guarantee Fund)		●	KGF provides loan guarantees up to 80% to SMEs with insufficient collateral. KGF was founded in 1994 as a joint stock company under private law by a number of Turkish SME organisations. KGF’s mission is to provide guarantees to existing SMEs and start-ups with insufficient collateral or track record. Guarantees are provided for all kinds of credit needs.
Others: 1-KOSGEB, 2-Non-Bank Financial Institutions	●	medium	1-Government 2-Commercial banks 3-institutional own resources Exp: The Shareholding	●		1-KOSGEB has subsidized SMEs and microcredit interest rates and gives guarantees. 2-Non-Bank financial institutions : leasing, factoring firms and brokerages, mostly are bank subsidiaries.(180) There exist 83

3-Participitation Banks			Structure of Albaraka Türk : Foreign Shareholders %83,80 Local Shareholders %16,20			financial leasing, 88 factoring and 9 consumer finance companies(total 180) www.die.gov.tr 3-Participitation Banks: Albaraka Türk, Türkiye Finans, Asya ve Kuveyt Türk (see more: www.albarakaturk.com.tr; www.tkbb.org.tr (Association of Turkish Participation Banks.

*F=Funding, *G=Guarantee

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United Kingdom

Main laws and normative acts

Credit Unions Act 1979 and the Industrial & Provident Societies Act 1965

Description: Credit Unions must register under the Industrial & Provident Societies Act 1965, which gives them corporate status and limited liability and their activity is governed by provisions of the Credit Unions Act 1979. A Credit Union may only undertake those activities for which there is an express or implied power in the Credit Unions Act. Loans may only be made to natural persons, who share a common bond. However, some of these loans will be used by sole traders for business purposes. There is currently an interest rate cap on loans (2% per month). Credit unions are regulated by the Financial Services Authority under the Financial Services and Markets Act 2000. Before they can do business, they need to be authorised by the FSA, which makes rules about their operations.

Community Development Finance Institutions (CDFIs) may register either as companies regulated under Company law; or community benefit societies registered under the Industrial & Provident Societies Act 1965. They are not subject to the provisions of the Credit Unions Act. CDFIs which register under the Industrial & Provident Societies Act may invite retail investment of withdrawable share capital ('WSC'). WSC is risk capital which carries no guarantee of repayment, and so takes the CDFI outside of European Banking legislation. CDFI's lend for both personal and business purposes. Investment applied to their business lending may, if qualifying criteria relating to the spread of loans is met, attract a tax relief which is the equivalent of 8.33% to higher rate tax payers under the Community Interest Tax Relief scheme ('CITR'). Where investors are paid a return, it is usually paid as a percentage of the investment, rather than a dividend.

Consumer Credit Act, Financial Services and Markets Act 2000 and European banking legislation

Description: CDFI lending up to £ 25 000 (EUR 37 000 EUR) is subject to regulation under the Consumer Credit Act.

Providers of microcredit and public/ private support mechanisms

Form of institution		**Relevance**	**Form of public/ private support for microcredit**				
			Principal sponsor	F	Tax incentive	G	Further or other form of support
State-owned or Promotional banks							
Savings banks							
Credit unions	●	low					Basic credit unions may not lend more than £7 500 in excess of a borrowing member's shareholding, but credit unions with a capital-to-assets ratio of at least 5% may lend up to £15k in excess of a borrowing member's shareholding, or 1.5% of total shares in the credit union in excess of a borrowing member's shareholding, whichever is the greater.
Commercial banks	●	high		●	●	●	The majority of UK banks provide microcredit. Many of the banks participate in the Small Firms Loan Guarantee Scheme. **Social funding/support**- Several of the main banks provide funding for other micro-credit organisations either through their charitable foundations or community investment/corporate responsibility work. **Skills/Capacity Building Support**- For example, bank staff sitting on CDFI/Credit Union boards. **Commercial lending**- This has been undertaken by some banks to CDFIs (with 'softer' terms in some cases due to the social nature of the work). As the CDFI sector is relatively new this is fairly adhoc and low scale, although CITR has made this slightly more attractive. This type of lending could be seen to be reflecting a similar model to the US where banks realise there maybe some gaps in provision of credit and therefore by lending to the CDFIs they are indirectly enabling these needs to be met. **Referrals-** Some small scale pilots have been run linking CDFIs into banks through referral systems but again this has been fairly limited due to the small scale, 'patchy' coverage and different services CDFIs provide. This has worked well in a few cases where banks, if they cannot provide finance, have supported customers by referring them to local CDFIs.
Downscaling							
Microcredit banks							
Foundations	●	medium		●			Grants paid to Credit Unions and CDFIs as a way of capitalising alternative finance providers (also called third sector lenders in the UK)

NGOs	●		Foundations/Regional Development Agencies Tax incentives for investors	●	●	●	The UK CDFI sector has seen significant growth over the last 5 years. Although the level of micro credit available through such lenders is currently small (estimates from the cdfa, the UK trade association for CDFIs, suggest micro enterprise portfolios now exceed more than £20 million (EU 30 m) and more than 4,000 loans at any one time). There is strong past growth with portfolio quadrupling over the last 4 years. External guarantees are not currently widely used within the CDFI sector. However, the 2004 Review of the UK's Small Firms Loan Guarantee Scheme recommended extension to alternative lenders such as CDFIs. Although this recommendation has not yet been fully implemented, a number of CDFIs are expected to start using the SFLG over the next 12-18 months. In addition, CDFIs use their own unrestricted capital to create guarantee pools to secure capital against. As CDFIs increasingly look for a variety of external forms of capital, finding ways to reduce risk through guarantees as well as enhancing return (such as through the CITR) are becoming more and more important.
Guarantee societies							
Others							

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Annex 2 - Protection rules for CDFIs registered under the UK's Industrial & Provident Societies Act, 1965

These protections, which were developed by Ramona Taylor and Michael Cook for the Financial Services Authority, would typically include the following:

"Financial Promotions

A CDFI should not communicate any inducement or invitation to purchase withdrawable share capital or any other financial instrument which the CDFI may issue from time to time, without the content of such inducement or invitation being first approved by a suitably qualified person.

Fit and Proper

No person shall be appointed to the committee of the CDFI, or be appointed as the chief executive or secretary, who:

- Has been declared bankrupt;
- Is subject to a disqualification order under the Company Directors Disqualification Act 1986;
- Has been convicted of an offence where the conviction is not treated as spent under the Rehabilitation of Offenders Act 1974;
- Is prohibited by the Financial Services Authority from undertaking a controlled Function; and
- Is subject to a County Court Judgement (a court order relating to debt).

Member Identification

The CDFI will take reasonable steps to verify the identification of members. The CDFI will retain a copy of all documents seen to verify the identity of a member.

Money Laundering

The CDFI will appoint a Money Laundering Reporting Officer (MLRO). The functions of the MLRO will be:

- To establish and maintain procedures to prevent money laundering;
- To establish and maintain awareness among the society's staff of the procedures;
- To prevent money laundering, including the provision of training;
- Receiving internal money laundering reports on suspicious activity;
- Making external reports to the Serious Organised Crime Agency if it is considered that the suspicion is justified.

Systems and Controls

The CDFI will maintain systems and controls which would satisfy the principles published by the Financial Services Authority for the nature, scale and complexity of its business.

Business Principles

The CDFI will apply the following principles in the pursuit of its objects:

- It will conduct its business with integrity;
- It will conduct its business with due skill, care and diligence;
- It will take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems;
- It will maintain adequate financial resources;
- It will pay due regard to the interests of its customers and treat them fairly.

Fidelity Insurance

The CDFI will at all times maintain in force a policy of insurance which provides cover against any description of loss suffered or liability incurred by reason of the fraud or other dishonesty of any of its officers or employees.

Accounts

The CDFI will provide a copy of its audited accounts to members. The accounts will be accompanied by the Committee's assessment of the CDFI's performance and prospects."

Annex 3 – Working group members

Country	Name	Organisation
Austria	Mr Kurt LEUTGEB	Austria Wirtschaftsservice GesmbH (AWS)
Belgium	Mr. Bernard BAYOT	Réseau Financement Alternatif
Bulgaria	Mr Andrey LALOV	Ministry of Economy and Energy
Cyprus	Mr Soteris SOTERIOU	Ministry of Commerce Industry and Tourism
Czech Republic	Mrs Martina FUNKOVÁ	Minstry of Industry and Trade
Finland	Mrs Anneli SOPPI	Finnvera Plc
France	Mrs Magali CESANA	Ministère de L'Economie des Finances et de l'Industrie
Germany	Mr Dirk PLANKENSTEINER	KfW Bankengruppe
	Mr Philipp TILLESSEN	KfW Bankengruppe
Hungary	Mr Peter POGACSAS	Ministry of Economy and Transport
Ireland	Mr Michael JOHNSON	Dún Laoghaire-Rathdown County Enterprise Board
	Mr Bill RAFTER	Waterford City Enterprise Board
Italy	Mrs Laura CALLEGARO	Banca Etica
Latvia	Mr Andrejs BUHARINS	Hipoteku banka
Lithuania	Mrs Zita GURAUSKIENE	INVEGA
	Mr Remigijus ZNUTAS	INVEGA
Luxembourg	Mr Gilles SCHOLTHUS	Ministère des Classes Moyennes, du Tourisme et du Logement
Poland	Mr Dariusz SZEWCZYK	Polish Agency for Enterprise Development
Portugal	Mr Nuno HENRIQUES	Lisgarante
Romania	Mrs Raluca MARTIN	ANIMMC- National Agency for SMEs and Cooperatives
	Mrs Cosmina MIU	Mission of Romania to the EU
Slovakia	Mrs Ivicá FORROVÁ	Národná Agentúra NADSME
Sweden	Mr Per JONSSON	ALMI Företagspartner AB
Turkey	Mrs Nedret Ugur YAVUZ	KOSGEB – Small and Medium Industry Development Organisation
United Kingdom	Mr Michael COOK	The Financial Services Authority (FSA)
	Mrs Ramona TAYLOR	The Financial Services Authority (FSA)
NGO experts	**Name**	**Organisation**
	Mrs Maria Nowak	European Microfinance Network (EMN)
	Mr Martin Jung	European Microfinance Network (EMN)
European Commission	**Name**	**Organisation**
	Mr Jean-Noel DURVY	DG Enterprise and Industry
	Mr Vesa VANHANEN	DG Enterprise and Industry
	Mrs Cindy FÖKEHRER	DG Enterprise and Industry