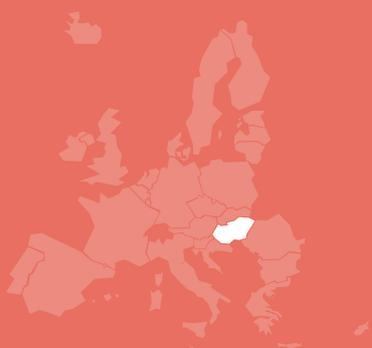




Microcredit Programme – 'Kiútprogram' ('A way out of poverty')

PROMOTING THE SELF-EMPLOYMENT OF ROMA AND DISADVANTAGED PEOPLE

Information review: October 2015



HUNGARY

The practice aims at supporting households in disadvantaged areas to become self-employed. It primarily (but not exclusively) targets the Roma population.

The labour market situation of Roma people is very difficult, particularly for women. In 2011 employment rates for Roma were considerably below the national average (42% for Roma men and only 13% for Roma women in comparison to national averages of 60% for men and 51% for women), while unemployment rates for Roma people were higher than the national average (28% for Roma men and 61% for Roma women and a national average of 8% for men and 6% for women).

There are a lot of challenges (formalising 'grey' enterprises, minimising social prejudice) enhanced by the fact that the practice is isolated and is not a part of a geographically focused, long-term and comprehensive development scheme. Therefore the economic sustainability of the enterprises established under this practice is questionable.

Name of the PES

Kiútprogram Mikrohitel Közvetítő Közhasznú Nonprofit Zrt.
'Kiútprogram' Microcredit Non-profit Ltd

When was the practice implemented?

2010 – on-going

Which organisation was involved in its implementation?

No other bodies involved

Which social groups were targeted by the practice?

Poor people of disadvantaged areas, in particular the Roma population

What were the practice's main objectives?

The practice provides financial loans and information to enable poor people to use their own resources and to improve their disadvantaged conditions. The practice seeks to fight discrimination, improve health conditions and increase household income.

What activities were carried out?

The loan is provided to a voluntary, self-nominated group of five loan recipients and the traditional guarantees required by banks are replaced by mutual ethical commitment. The first loan can be used only to finance launching a business and it is not granted for consumption. There is an upper income and property limit set for being accepted in the programme. The beneficiaries also receive business development and administration services.

What resources and other relevant organisational aspects were involved?

A not-for-profit shareholder group ('Kiútprogram' – way out of poverty) established by private shareholders (in cooperation of the founder 'Polgar foundation') ensures the management and full operation of the practice. A team is involved in the practice implementation composed by practice managers, approximately 10 fieldworkers and volunteers who work on location. The operational tasks include training and managing fieldworkers, providing professional assistance to clients with creating their business plans and getting the business plans accepted; preparing, evaluating and submitting loan contracts to the financial organisation and getting the contracts signed; keeping contact with the bank starting from contracting to the repayment of the loans and keeping contact with the employment centres; governmental and local governmental organisations; and managing monitoring and evaluation. PES is only responsible for administrative services.

Source(s) of funding

European Regional Development Fund
Private source(s): private stakeholders

What were the outputs of the practice: people reached and products?

People reached:

Expected number of clients: 100 people in the first year, and 300 in the second year. According to an evaluation and the monitoring data, 90 people had their loan approved; 214 are potential clients. This means that they have already been recruited by field workers and prepared for a possible loan.

Products:

Website of the project with videos, documents and publications.

What outcomes have been identified?

The main long-term goals were:

- ▶ The relative increase of income was planned to be 10% in the first year and 15% in the second year; however during the first year borrowers experienced hardly any increase in their household income especially considering the low (or zero) saving rates of these households and the investment needs for their enterprises;
- ▶ Fostered activity and fight against segregation;
- ▶ Promoted well-being and improved state of health – it is a long-term goal that is hardly measurable in the short run.

The evaluation of the practice considered the fulfilment of the above-mentioned goals unrealistic. In addition, the operational goals appeared ambitious as well:

- ▶ Expected share of loan repayment: 75% in case of the first loan and 80% among those with repeated loans. Actual data considered this rather realistic, based on the average of a bad, a medium and a good scenario in context of repayment at an estimated 60%;
- ▶ Expected share of repeated loan: 70%. Due to the low share of repeated cases for the time being it is difficult to make an estimate.

What are the lessons learnt and success factors?

The main findings of the evaluation are the following:

- ▶ The planned results were overly ambitious for the pilot length. Although it was acknowledged that the targeted number of clients (100 in the first year and 300 in the next year) is unrealistic to achieve, no changes were made to target numbers.
- ▶ There is a lack of synergies with other initiatives at a local level.
- ▶ Business development is hampered by difficulties especially among the most underprivileged population. These include: market entry costs, the seasonality of relevant business activities, the asymmetry of information, the presence of strongly competitive informal businesses and so forth.
- ▶ There are a lot of challenges (formalising 'grey' enterprises, minimising social prejudice) enhanced by the fact that the practice is isolated and is not part of a geographically focused, long-term and comprehensive development scheme. Therefore the economic sustainability of the enterprises established under this practice is questionable.

The evaluation recommended:

- ▶ Focusing on fostering mutual learning within groups even after the loan disbursement;
- ▶ Reinforcing group cohesion and peer pressure to build up more effective results;
- ▶ Supporting fieldworkers and reduce fluctuation, monitoring their work more closely;
- ▶ Fine-tuning client targeting/screening;
- ▶ Diversifying business development and operations services for clients and provide exchange of information among and corresponding training for field workers;
- ▶ Ensuring better organised documentation and experience/knowledge sharing platform for the implementation team.

More information on the practice

http://ec.europa.eu/employment_social/empl_portal/weesp/HU-3.pdf



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