



ASSOCIATION POUR LE DROIT
A L'INITIATIVE ECONOMIQUE

Microcredit in France and Europe Zagreb March 4, 2010



France



Origin : created in December 1988 by three volunteers without start-up capital. Inspired by Grameen Bank experience.

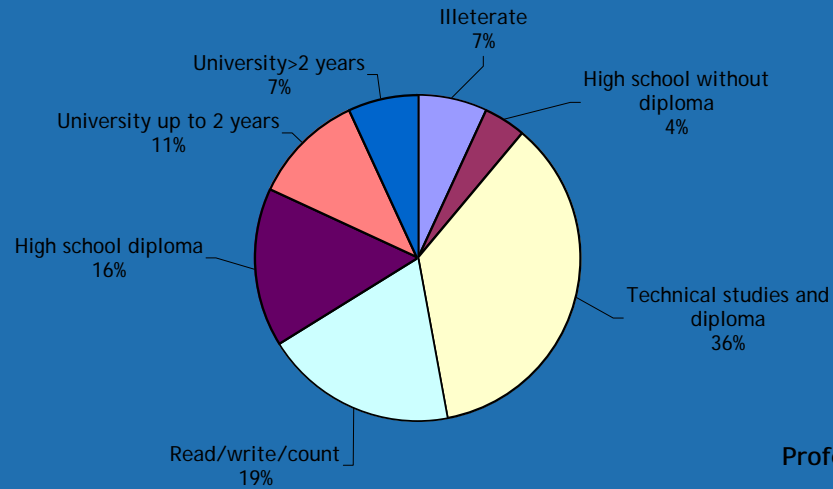
Missions :

- microcredit to unemployed and people on welfare creating their own job
- business development services for the clients
- advocacy on the basis of field experience

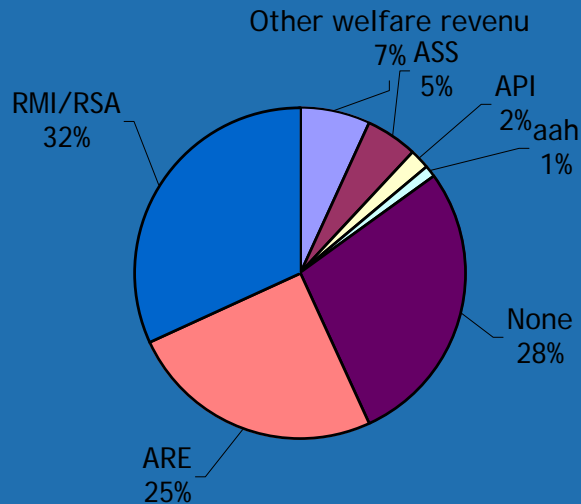


Target population

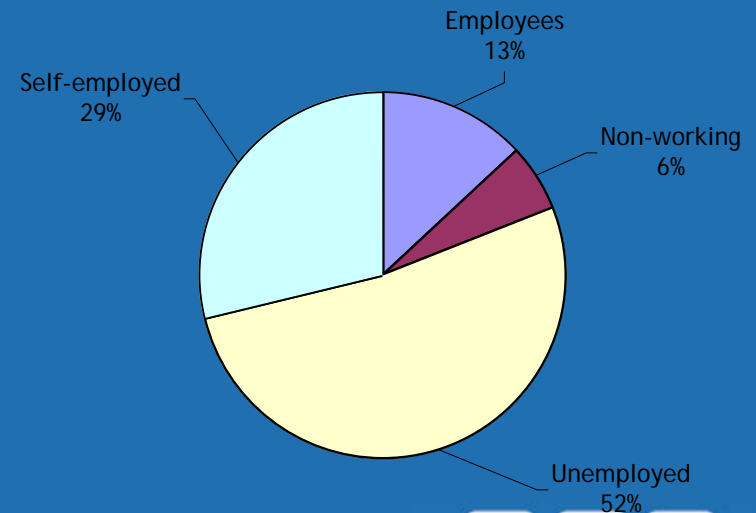
Education



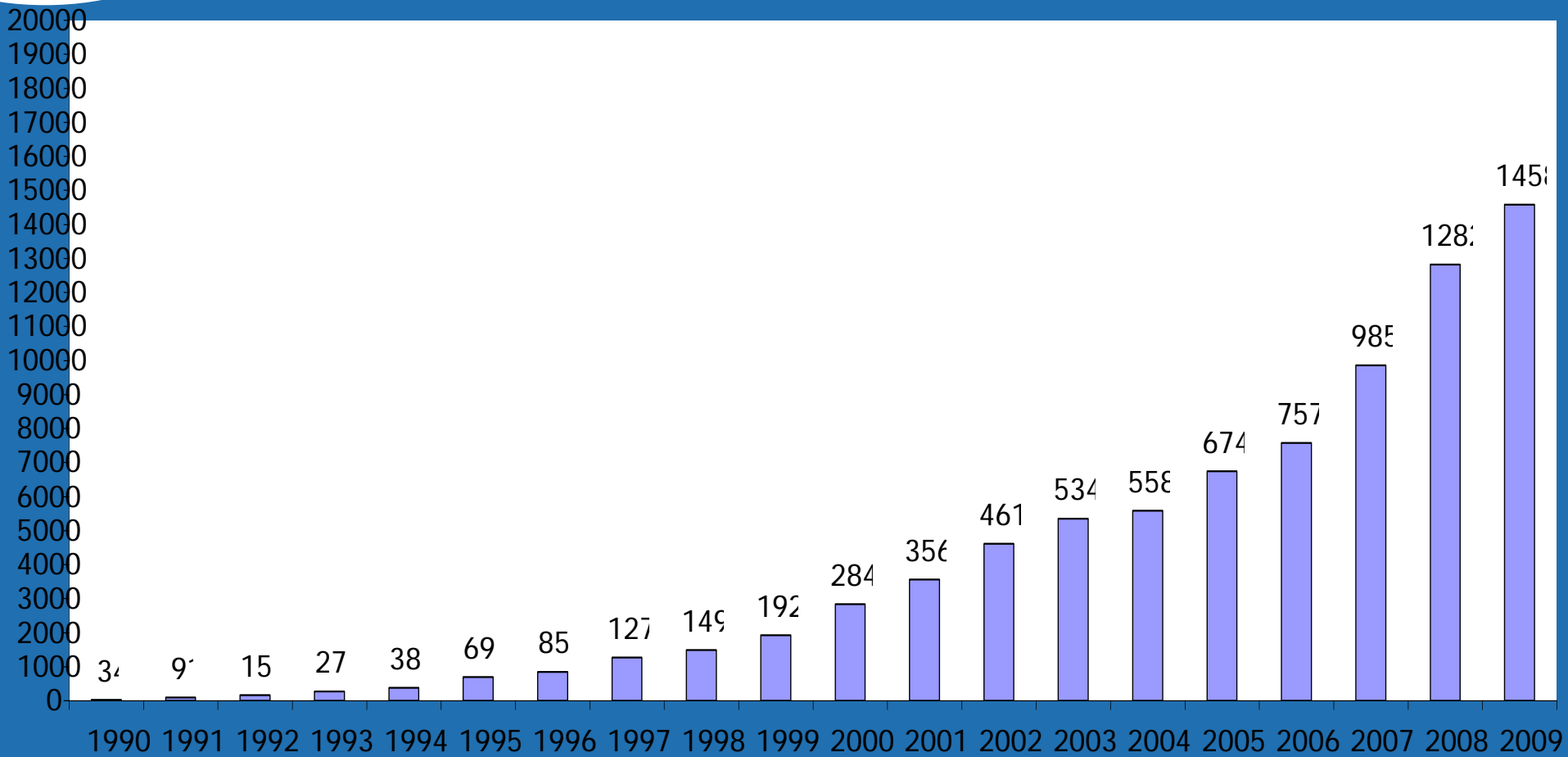
Welfare situation



Professional situation



Loans granted by Adie





A proximity Network

130 agencies

190 offices

481 staff members

1530 volunteers



- Number of loans disbursed since 1989 : 81 014
- Number of micro loans in 2009 : 14 581
- Number of financial operations in 2009 : 17 466
- Default rate 2009 : 8,36%
- Loss rate 2009 : 2,21%

- Number of enterprises created since 1989 : 65 527
- Number of enterprises created in 2009 : 10 101
- Survival rate after 2 years : 65%
- Inclusion rate of the microentrepreneurs 80%

Results as regards advocacy

2001 : Amendment to the banking law allowing MFI's to borrow and on-lend

2005 : Law on SMEs : Cap on rates of interest on loans to sole proprietorships cancelled

2004 : Law on Minimum Income : recognition of enterprise creation as a way out of minimum income

2005 : Law on Social Cohesion : recognition of enterprise creation as a way out of unemployment. Reduction of social insurance fees for certain categories of low-income self-employed

2006 : Simplification of state support to unemployed creating a micro enterprise.
Extension of lower social insurance fees for all categories of self-employed.

2008 : New Status of self-employment and extension of the amendment to the banking law



- Loan resources covered by lines of credit from banks
- Risk shared between banks (30%) and Adie (70%)
counterguaranteed by a government guarantee fund and EIF
- Business development services financed by local governments, central government, ESF, socially responsible enterprises

- Time is needed to overcome cultural barriers : public opinion adheres to industrial country and welfare state models
- Entrepreneurship never dies : microcredit demand increases with supply
- Partnership with banks is a key factor of success in Europe. « Bank of the poor » model is not appropriate for Europe
- Improvement of institutional framework is a prerequisite for microcredit but the only means of change it is to demonstrate that the excluded are good entrepreneurs and good clients

- creation of two separate departments and cost centers : credit and business development services,
- credit should reach operational sustainability and financial sustainability, by increasing the number of loans, staff productivity and the interest rate,
- business development services will remain subsidized. Since the government, local authorities and the European structural funds will not finance growth of 30% per year, an endowment fund has been created,

- In 2009, 300,000 persons have registered under the new status of self-employed persons promoted by Adie (the government expected 100,000 in one year),
- Adie continues to advocate eliminating legal constraints not justified by the public interest that apply to all categories of enterprises, and establishing equal treatment for wage-paid and self employed workers.

The crisis is an opportunity to promote economic initiative and reduce the population's dependency on the Welfare state. A campaign for grass-roots entrepreneurship will be launched on the web and hopefully supported by the media.

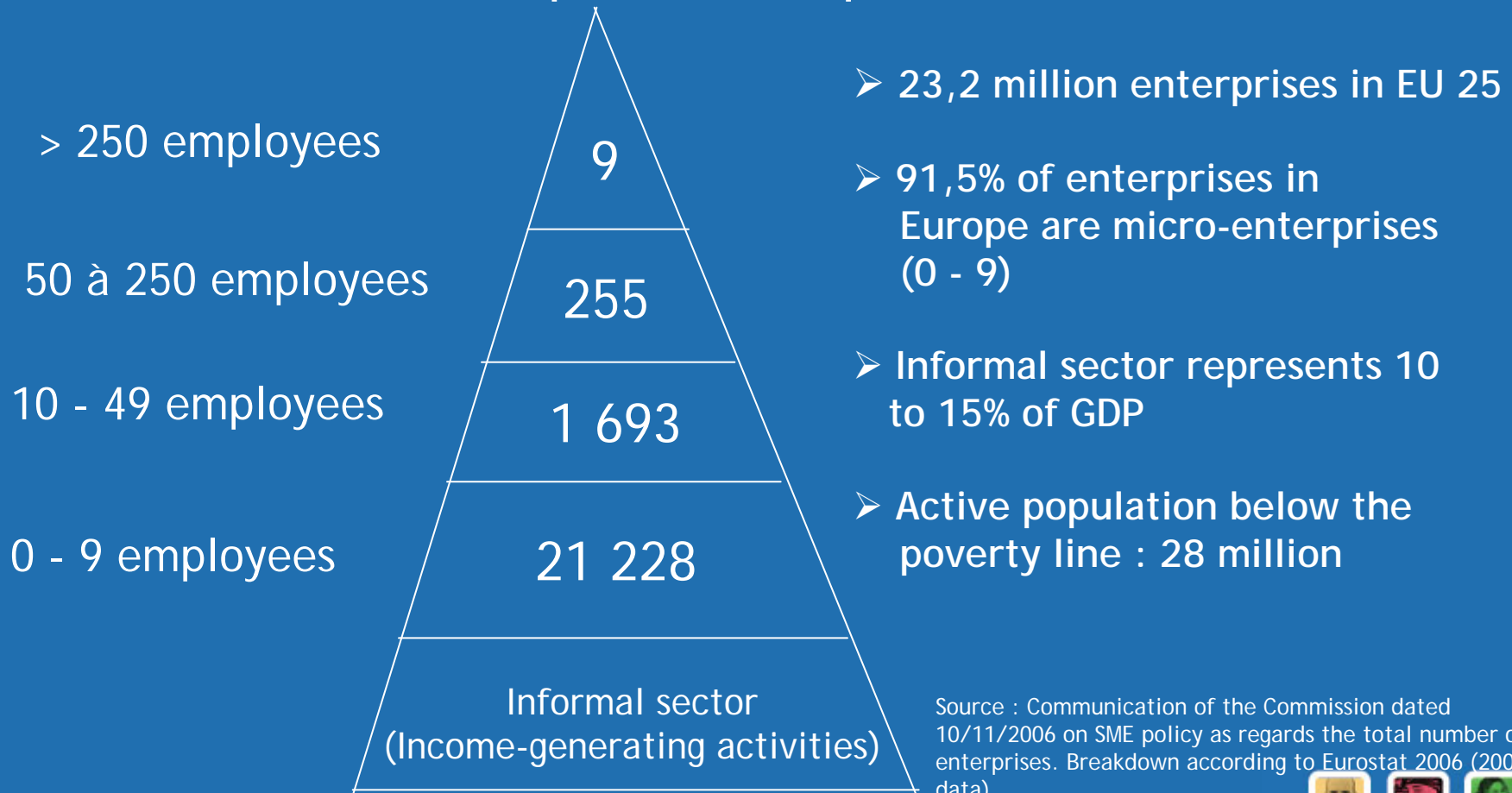
Europe



Why develop microcredit in Europe ?

Microenterprises and self-employment represent a major part of the European economy

Number of enterprises in Europe (in thousands)



Source : Communication of the Commission dated 10/11/2006 on SME policy as regards the total number of enterprises. Breakdown according to Eurostat 2006 (2003 data)



- For industrial countries, self-employment and microenterprises are not relics of the past but a type of labour organisation well adapted to the post industrial economy based on :
 - the development of services
 - new technologies
- They are an instrument of a more active inclusion policy
- They are an instrument of local development, without risk of delocalisation

Development of self-employment and microenterprises have a triple impact on growth by :

- reducing the cost of unemployment
- creating wealth
- increasing individual incomes and consumption

They have an impact on regional development



Who are the final beneficiaries ? (1)

Two segments of clientele :

1 - Bankable

- existing microenterprises which are underserved by the banking sector

2 - Not bankable

- population under the poverty line carrying on income generating activities, often in the informal sector, without access to banks
- and especially vulnerable groups such as youth, women, immigrants, ethnic minorities, etc



Who are the final beneficiaries ? (3)

Three examples :

Muhammad : street vendor

- buys his merchandise in Turkey and Portugal
- a first loan of 1000 euros
- then another one of 1500 euros and 2000 euros



Sophie : hair dresser

- works as visiting hair dresser at client's house



Julie : pizza shop



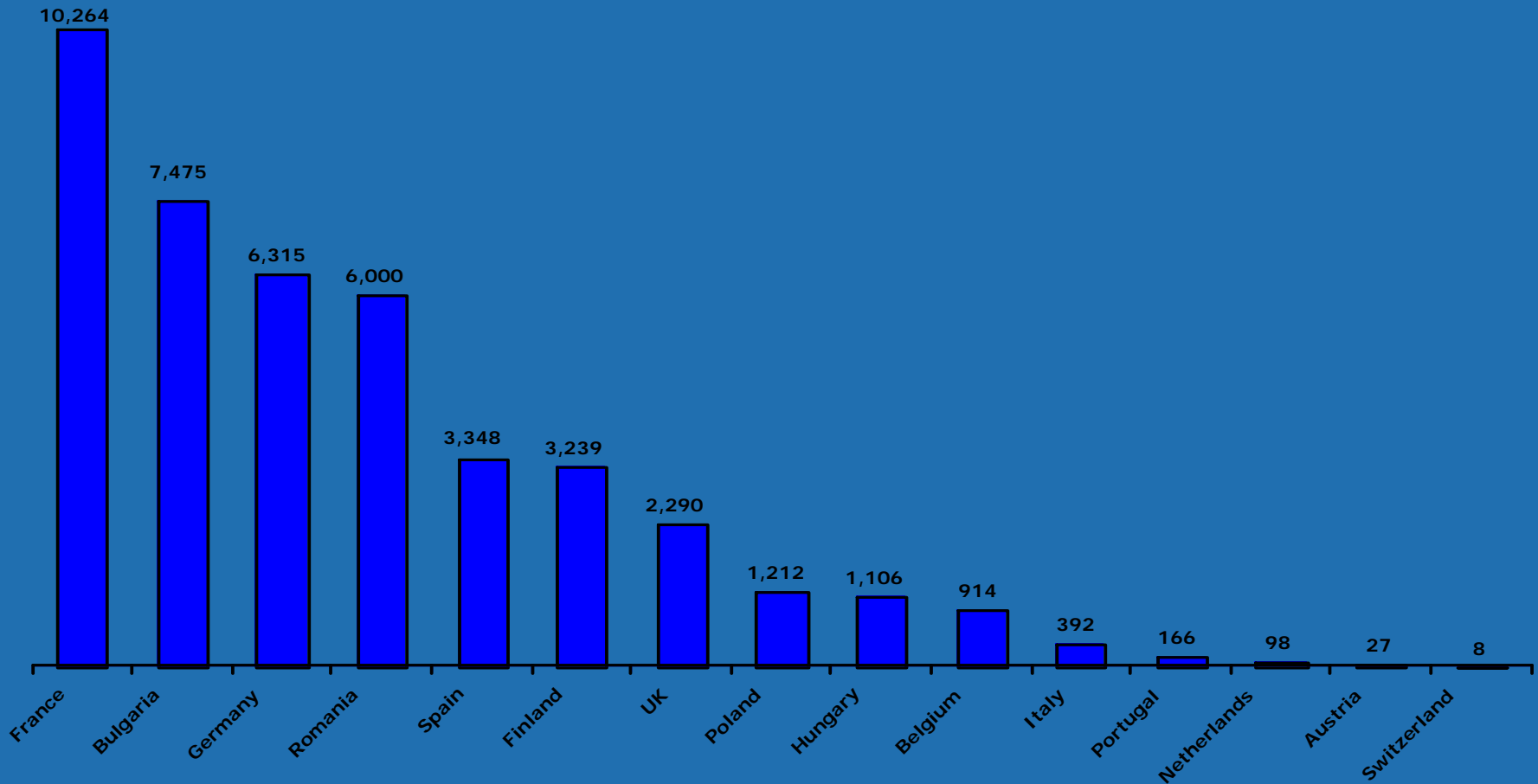
Aziz : transport in collective taxis in a poor urban area

André : computer training and maintenance for private persons

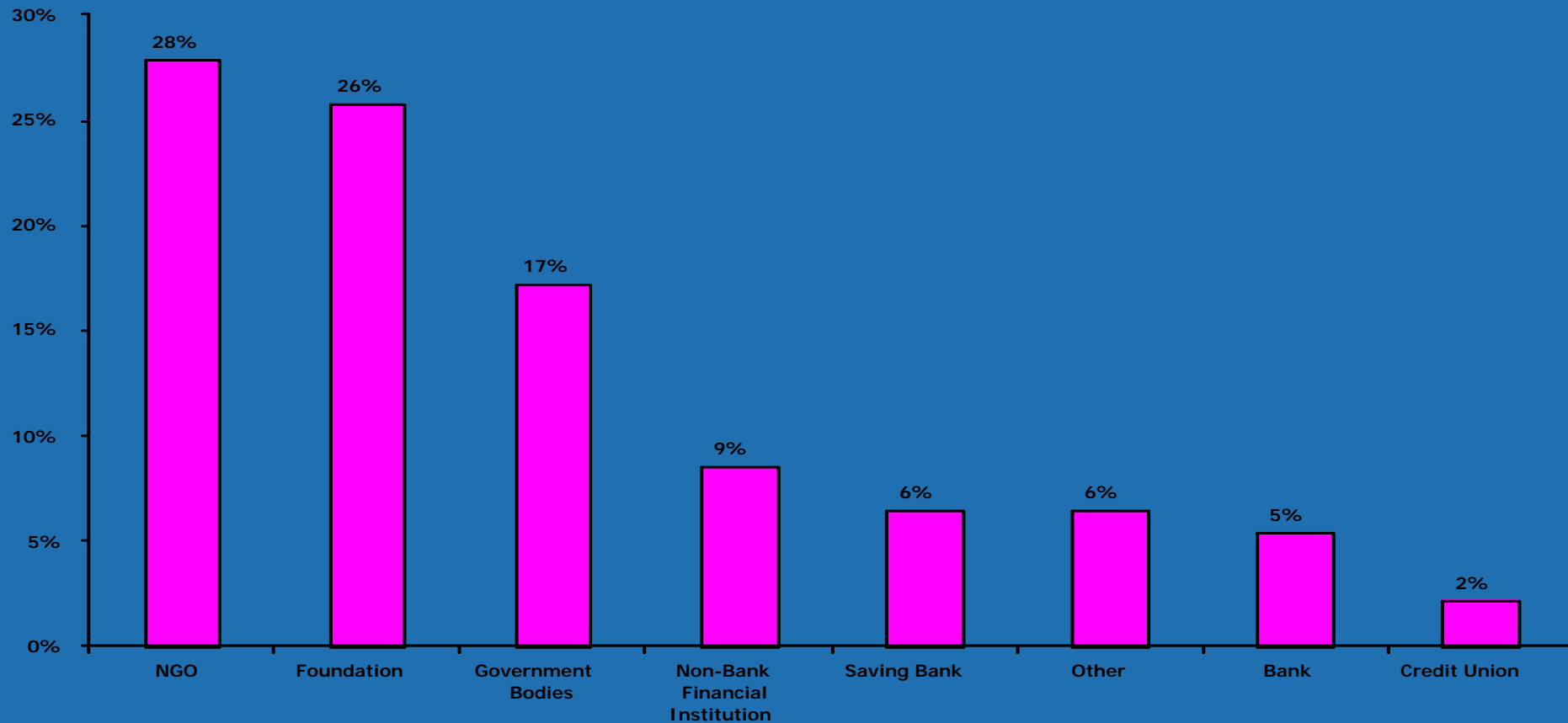
- started with a loan of 4 000 euros
- has created 550 jobs



Number of loans disbursed in 2007

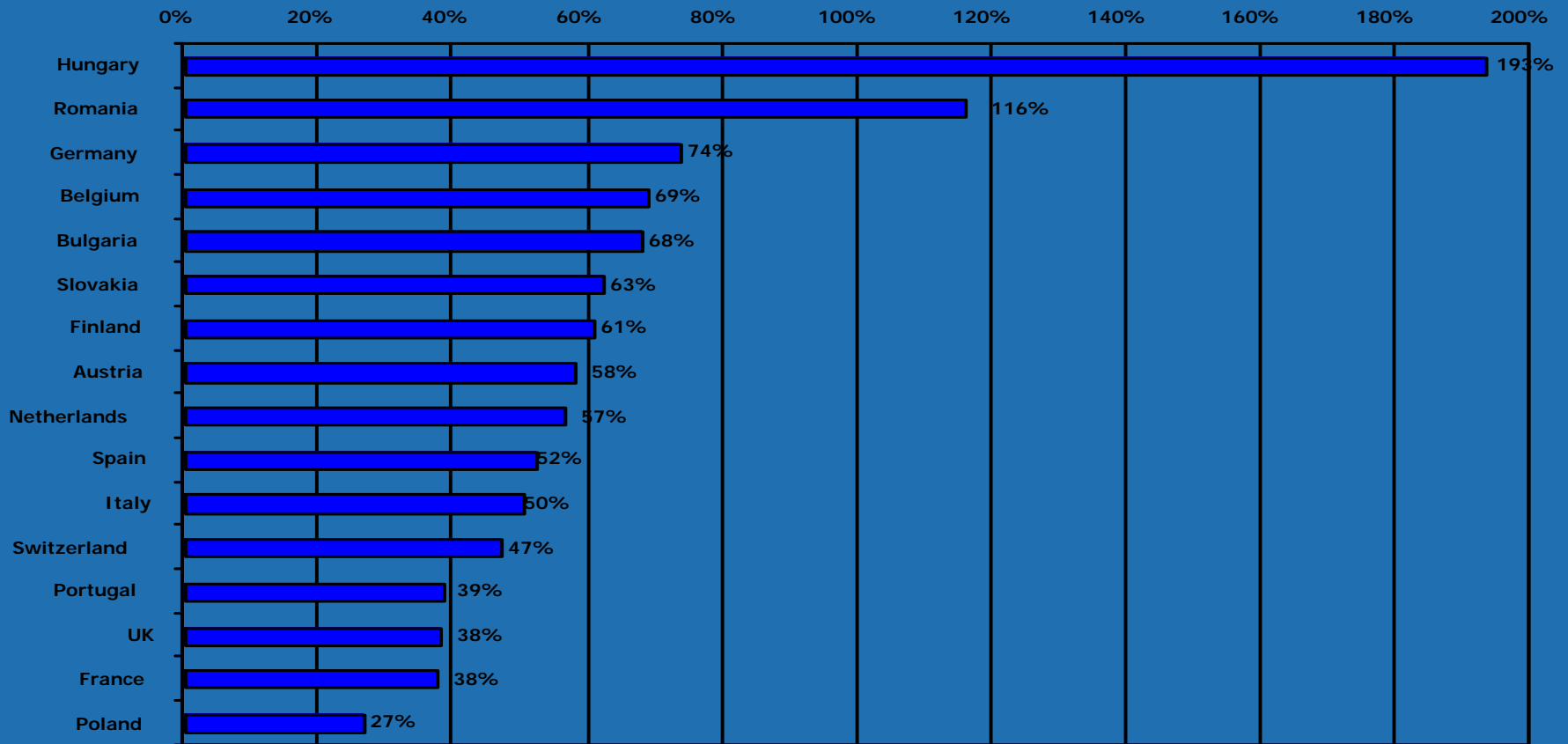


What type of IMFs exist in Europe?

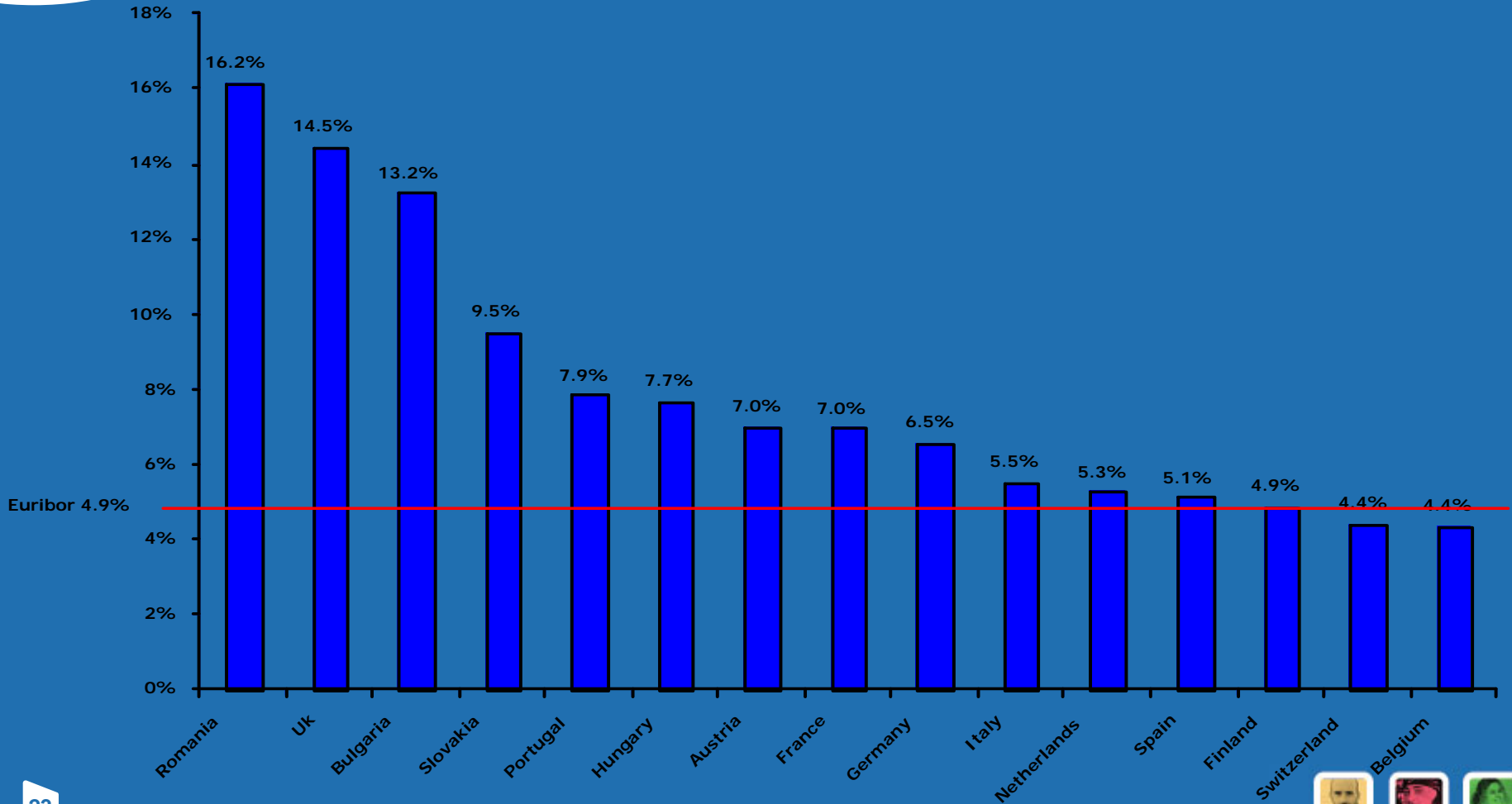


What is the depth of outreach in different countries?

Average Loan Size as a Percentage of GNI Per Capita



What are the rates of interest in different countries ?



A global « action plan » comprising four strands :

- Improving the legal and institutional environment in the Member States
- Further changing the climate in favour of entrepreneurship
- Promoting the spread of best practices
- Providing additional financial capital for new and non-bank MFIs

Support of the EU Parliament

- Launching by EIB/EIF of the new financial and facility for MFIs :
 - 20 M euros en 2009
 - 100 M euros in 2010
- Launching of Jasmine, the Technical assistance facility for MFI's in 2010
- Organization of a Microcredit Policy Forum to promote regulatory reforms

What are the legal prerequisites of development of a microcredit sector?

1. Improve the microcredit framework by :

- authorizing foundations and associations to borrow and on-lend
- cancelling the cap on interest rates
- setting up tax incentives (they exist for "protected workplace" created by companies which employ members of disadvantaged groups).

2. Bridge the gap between welfare and self employment

- by providing an income support during the transition for unemployed or welfare recipients who set up a business .
- by allowing return to unemployment benefits or welfare in case of failure before a period of 2 years,

How to support the development of a sustainable Microfinance institution ?

- Finance the overcosts of microcredit (on a decreasing basis) and business development services with the support of structural funds
- Apply (beginning of 2010) for technical assistance of JASMINE
- Set up a partnership with a bank and apply (beginning of 2010) for an EIB funding allowing the take off of the MFI on the basis of best practices



adie

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QuickTime™ et un
décompresseur TIFF (LZW)
sont requis pour visionner cette image.