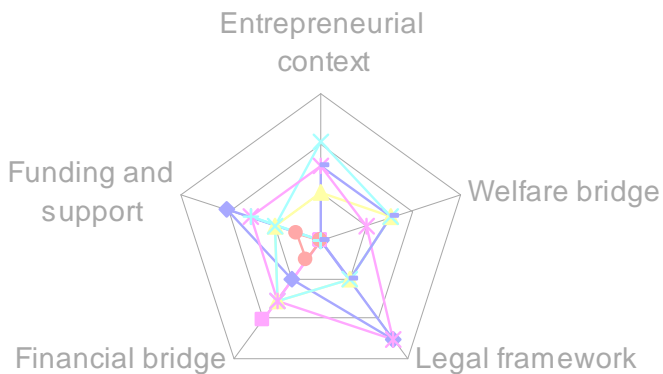


ESCORECARD

Favourable Microfinance Environments in Europe



**Contextualized benchmarking to support
national policy makers**

INTRODUCTION

Microfinance as a tool to achieve economic development and social inclusion through self-employment.

What is the objective of this eScorecard?

The eScorecard aims to collect information about the different microfinance environments in the EU member states. A favourable microfinance environment in this context is affected by a number of factors, including its entrepreneurial culture, the financial system and welfare systems, the legal framework as well as financial support given to MFIs. A favourable microfinance environment is necessary to be able to achieve economic development and social inclusion through self-employment.

This eScorecard aims to be a tool for exchange of information and knowledge about the microfinance environments between the different regions in the EU (East/West). Specific objectives are:

- **Increase awareness** of policy makers about policy measures for a favourable microfinance environment
- **Identify policy measures** that have had positive outcomes in the East and West of Europe
- Develop a **model for exchange of information and knowledge** among Member states
- **Tool for contextualized benchmarking** according to Open Method of Cooperation (OMC) by **exchanging good practices and experiences** among the EU member states on the subject of microfinance
- **Increase mutual learning** on policy measures that are implemented in the EU member states
- **Enable comparisons of countries** by making use of common indicators
- **Visibly present the relative position of the EU countries** in easy-to-interpret radar plots along the identified key dimensions

Why should I fill in the eScorecard questionnaire?

Data of EU member states will be collected through this eScorecard. It ultimately intends to facilitate the exchange of information and knowledge about policy measures of microfinance between the EU countries.

Your participation in filling in this eScorecard is essential to achieve the intended information and knowledge exchange about microfinance as a tool to fight social exclusion. It allows you to:

- Assess the factors that affect your country's microfinance environment
- Compare your country's scoring and measures to other EU member states
- Learn from the policy measures and good practices of other EU member
- Access the yearly updates of the eScorecard and ratings of countries

How should I fill in the eScorecard questionnaire?

The eScorecard is structured along 5 dimensions. Each dimension is divided into several sub-dimensions with their respective questions.

1. Please check the box with the most appropriate answer for each question, making use of the indicated suggested data sources
2. Only one answer per question should be given.
3. Additional comments can be indicated per question in the space provided

Each of the answers of the eScorecard is coupled to a scoring. Once a completed eScorecard is submitted, the data will be processed and added to the country database.

Where can I get help for filling in the eScorecard?

Each question indicates suggested data sources where you can find the relevant information to answer the questions. Relevant and publicly available sources, which are updated regularly include:

- Indicators for Monitoring the Employment Guidelines, 2006 Compendium. European Commission, DG Employment, Social Affairs And Equal Opportunities
- Employment in Europe 2005: Recent Trends and Prospects. Employment & European Social Fund, European Commission. Directorate-General for Employment, Social Affairs and Equal Opportunities
- Eurostat Statistics
- Mutual Information System on Social Protection (MISSOC)
- World Bank statistical information of www.doingbusiness.org
- OECD reports

Other questions require country expert's opinions or national data sources which vary per country.

If you encounter difficulties in finding the correct data please contact us at emn@european-microfinance.org.

Where can I send the completed eScorecard?

Please return the completed eScorecard to emn@european-microfinance.org within two weeks of receipt of the eScorecard.

Where can I see the results?

The scores per dimension and per country are represented in radar diagrams which are accessible through the website.

Further questions?

If you have any suggestions or questions on using the eScorecard or how to improve it, please contact EMN by sending an email to emn@european-microfinance.org. Your feedback will be greatly appreciated!

Links

You can find more information about microfinance and this eScorecard through the following links:

- Access the report “Policy measures to promote the use of micro-credit in Europe for social inclusion”, which served as the basis for this eScorecard as well as other relevant publications

http://ec.europa.eu/employment_social/social_inclusion/publications_en.htm

- Find out more information about the executing organisation of this eScorecard by visiting their websites which includes interesting microfinance research reports:
 - European Microfinance Network (EMN): <http://www.european-microfinance.org>
 - The Microfinance Centre in Poland: <http://www.mfc.org.pl/>
 - Community Development Finance Association: <http://www.cdfa.org.uk>

A. Micro-Entrepreneurial context

How entrepreneurial is the society and how much does it support its micro-entrepreneurs? (Pull factors)

1. Macro-Economic situation

Suggested data sources

1.1 GDP growth per capita > 4 % per year *Employment Indicator*
 2 - 4 % per year *17.4*
 < 2 % *<http://ec.europa.eu/eurostat/>*
Additional comments:

1.2 Net number of start ups per year (Birth rate-death rate of enterprises) > 20 % of total number of enterprises *Employment Indicator*
 10 % - 20 % *21.9*
 5 % - 10 % *<http://ec.europa.eu/eurostat/>*
 0 % - 5 %
 Negative
Additional comments:

1.3 Size of informal sector as percentage of GDP > 30 % *<http://www.doingbusiness.org>*
 20 % - 30%
 < 20 %
Additional comments:

2. Entrepreneurial culture/economic environment

Suggested data sources

2.1 Percentage of total workforce that is self employed > 16 % *www.oecd.org*
 11-16 % *EU-Employment in Europe 2005, statistical annex 2*
 < 11 %
Additional comments:

2.2 Movement in enterprise population

Birth rate of enterprises per year 15 % or more *Employment Indicator*
 12 - 14.9 % *17.4*
 9 - 11.9 %
 6 - 8.9 %
 < 6 %
Additional comments:

Death rate of enterprises per year 15 % or more *<http://ec.europa.eu/eurostat/>*
 12 - 14.9 %
 9 - 11.9 %
 6 - 8.9 %
 < 6 %
Additional comments:

2.3 Survival rate of businesses.	<input type="checkbox"/> > 75 %	<i>Employment Indicator 21.10 EU - SME Observatory http://ec.europa.eu/eurostat</i>
What is the survival rate of	<input type="checkbox"/> 71-75 %	
new businesses after 3 years?	<input type="checkbox"/> 66-70 %	
	<input type="checkbox"/> 60-65 %	
	<input type="checkbox"/> < 60 %	

Additional comments:

3. Public support of micro-entrepreneurship	<i>Suggested data sources</i>
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3.1 Are micro-enterprises ¹ a priority in the national governmental strategy?	<input type="checkbox"/> National action plan for employment includes national programme in support of micro-enterprises <input type="checkbox"/> National action plan for employment includes regional programmes in support of micro-enterprises <input type="checkbox"/> National action plan includes no microenterprise support programmes <i>Additional comments:</i>	<i>National information sources, i.e. Ministries, national government plans, experts opinions</i>
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3.2 Existence of programmes on fostering entrepreneurship in the education system	<input type="checkbox"/> Entrepreneurship courses/programmes at most primary & secondary schools and higher education ² institutes nationwide <input type="checkbox"/> Only at most higher education institutes <u>or</u> only in primary & secondary schools nationwide; <input type="checkbox"/> At primary & secondary schools <u>and</u> higher education institutes in some regions but not nationwide <input type="checkbox"/> At primary & secondary schools <u>or</u> higher education institutes in some regions but not nationwide <input type="checkbox"/> Nearly no such courses/programmes exist <i>Additional comments:</i>	<i>National information sources, i.e. Ministries, national government plans, experts opinions</i>
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¹ Micro-enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed 2 million EUR.

² Higher education institutes: universities & colleges

3.3 Existence of programmes that provide non-financial services (Business support schemes) to micro-entrepreneurs.	<input type="checkbox"/> Programmes exist nationwide <input type="checkbox"/> Programmes exist but limited to big cities/some regions <input type="checkbox"/> Nearly no such programme exist <i>Additional comments:</i>	<i>National information sources, i.e. Ministries, National government plans, experts opinions</i>
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3.4 In how many days can you register a business?	<input type="checkbox"/> > 32 days <input type="checkbox"/> 18 - 32 days <input type="checkbox"/> < 18 days <i>Additional comments:</i>	<i>www.doingbusiness.org</i>
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4. Diversity of entrepreneurship	<i>Suggested data sources</i>
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4.1 Proportion of women in total employment versus women in self-employment	<input type="checkbox"/> Higher proportion in self-employment <input type="checkbox"/> Same proportion in self-employment as in total employment <input type="checkbox"/> Smaller proportion in self-employment <i>Additional comments:</i>	<i>EU-Employment in Europe 2005, statistical annex 2</i>
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4.2 Proportion of migrants/ethnic minorities in total employment versus migrants/ethnic minorities in self-employment	<input type="checkbox"/> Higher proportion in self-employment <input type="checkbox"/> Same proportion in self-employment as in total employment <input type="checkbox"/> Smaller proportion in self-employment <i>Additional comments:</i>	<i>European Employment Observatory Immigration and Employment in Europe, 2003</i>
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B. Welfare Bridge	How developed is the system for taking people from unemployment to self-employment? (Push Factors)
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1 Scale and nature of inactivity trap	<i>Suggested data sources</i>
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1.1 Scale and nature of long-term unemployment (>1 year) as percentage of overall unemployment. ³	<input type="checkbox"/> Long-term unemployment (LTU) > 50 % of all unemployed <input type="checkbox"/> LTU 25 % - 50 % of all unemployed <input type="checkbox"/> LTU < 25 % of all unemployed <i>Additional comments:</i>	<i>Long-term unemployment rate Total unemployment rate Employment Indicator 17.1</i>
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³ Long-term unemployment rate/total unemployment rate

1.2 Number of registered unemployed getting self-employed

- > 10 %
- 5 - 10 %
- < 5 %

National statistics

Additional comments:

2. How activating is the national welfare regime/labour market policy?

Suggested data sources

2.1 Gross unemployment benefit replacement rate⁴

- > 47 %
- 36 - 46 %
- 25 - 35 %
- 14 - 24 %
- <14 %

*OECD Gross replacement rate
OECD Country information sheets*

Additional comments:

2.2 Are there labour market policies enforcing job seeking among the unemployed?

- Implementation of explicit rules for non job seekers and obligation to take up any suitable work
- Proof of job seeking is obligatory, but no explicit rules are implemented, obligation to take up suitable work is restricted
- No explicit rules exist for non job seekers

National information sources, i.e. Ministries, national government plans, experts opinions

Additional comments:

2.3 Are there negative implications of moving from the welfare system to self-employment (i.e. losing of associated benefits such as rent allowance, child care allowance and insurance)?

- No negative implications
- Loss of some benefits
- Loss of all benefits

National information sources, i.e. Ministries, national government plans, experts opinions

Additional comments:

⁴ If not available, use OECD country information sheet for calculation of average gross replacement rate of unemployment benefit (% of average production worker wage)

3. Specific Policy measures to foster self-employment out of unemployment

Suggested data sources

3.1 Existence of governmental action plans to fight unemployment, inactivity and social exclusion by fostering of self-employment and micro-enterprises compared to wage employment

Fostering of self-employment and support of micro-enterprises is an equally central element of national and regional action plans on employment as wage employment

Fostering of self-employment and support of micro-enterprises is mentioned in the national action plan on employment but receives less attention than wage employment

Fostering of self-employment and support of micro-enterprises is not mentioned at all

Additional comments:

National information sources, i.e. Ministries, national government plans, experts opinions European Employment Strategy - NAPs on employment

3.2 Availability of income support programmes for people becoming self-employed. Are such programmes available in your country?

Yes, at national level
 Yes, at regional/local level
 No

National information sources, i.e. Ministries, national government plans, experts opinions

If yes, how are they designed

income support for at least three years + additional indirect support (e.g. tax exemptions, right to return to benefit)

income support for at least three years

at least one year income support + additional indirect support

at least one year income support

Less than one year of income support

Additional comments:

C. Legal framework for microfinance activity

Is there a supportive legal framework for microfinance services?

1. Specific regulation on micro-finance activity

Suggested data sources

1.1 Is there a clear national legislation in place that regulates lending activity? How restrictive is it for microfinance activity?

- Clear and specific national legislation which places no restrictions on which institutions may lend
- Unclear national legislation concerning the conditions on which institutions may lend (e.g. different regional regulations)
- National legislation restricts lending activity by institutions other than banks

National banking laws

Additional comments:

2. Usury regulation

Suggested data sources

2.1 Existence of a national usury law for business loans

- Yes
- No

National legislation
National information source (experts)

Additional comments:

2.2 Impact of usury law for business loans (if existent) on cost-effective microlending

- No impact- usury law allows interest rates twice as high as average market rate or higher
- Medium impact- usury law allows interest rates between 51-99% over average market rate
- High impact- usury law allows interest rates between 50% or less over average market rate

National legislation
National information source (experts)

Additional comments:

3. Institutional Variety

Suggested data sources

3.1 Does the legal system of the country permits a variety of institutions to engage in microlending?

- More than 3 institutional types allowed
- Just 2 or 3 institutional types allowed
- Only one type is allowed

National legislation

Additional comments:

4. Regulation for Non-for-profit NGOs

Suggested data sources

4.1 Does microfinance activity jeopardize the non-profit status of NGOs? (e.g. losing their profit tax exemption) Are there clear regulations?

- Lending is compatible with non-for profit status, clear and transparent
 Implication of lending activity for non-for-profit status is unclear
 Any lending activity forbids having a non-for-profit status

National legislation

Additional comments:

D. Financial bridge for micro enterprises and socially excluded persons

Are financial services available for excluded groups and self-employed/ micro-enterprises?

1. Banking sector: Small lending culture and infrastructure

Suggested data sources

1.1 Available bank products:
a) structured business loans for micro enterprises and
b) basic business bank accounts available for all individuals

- National top 5 banks:
 a and b widely available
 a or b available
 not available

Data of national top 5 banks

Additional comments:

1.2 Development and density / coverage of the national banking sector

- Number of branches per 100,000 people:
 More than 40
 30 to 40
 20 to 30
 10 to 20
 Below 10

Indicators of Access to and Use of Financial Services Across Countries (World bank)

2. Microfinance sector: Existence and impact of MFIs

Suggested data sources

2.1 Number of microfinance institutions⁵ with more than 10 loans per year

- Over 5 institutions
 Over 3 institutions
 Over 2 institutions
 More than one institutions
 One or no institutions

*Data from financial/microfinance institutions
Microfinance research reports
National Microfinance networks*

Additional comments:

⁵ Banks or Non-Banks that seek to use the market approach to solve the problems of financial exclusion

2.2 Number of annual microfinance deals provided by microfinance institutions?	<input type="checkbox"/> 20,000 or more deals <input type="checkbox"/> 10,000 to 20,000 <input type="checkbox"/> 5,000 to 10,000 <input type="checkbox"/> 1,000 to 5,000 <input type="checkbox"/> Less than 1,000 deals <i>Additional comments:</i>	<i>Data from financial/microfinance institutions Microfinance research reports National Microfinance networks</i>
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2.3 Is there a national role model? Total number of deals of largest national MFI?	For largest national MFI: <input type="checkbox"/> Over 10,000 <input type="checkbox"/> 5,000 to 10,000 <input type="checkbox"/> 1,000 to 5,000 <input type="checkbox"/> 200 to 1,000 <input type="checkbox"/> Below 200 <i>Additional comments:</i>	<i>Data of largest MFI</i>
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3. Awareness of access to finance for micro-enterprises as an issue for public policy *Suggested data sources*

3.1 Research activity of public authorities(e.g. financial supervising bodies or governmental agencies) on the issue	<input type="checkbox"/> Specialised research institutes or departments connected to public authorities <input type="checkbox"/> Regular research on the issue is done or commissioned by public authorities <input type="checkbox"/> Occasional research on the issue is done or commissioned by public authorities <input type="checkbox"/> No research activity <i>Additional comments:</i>	<i>National information sources, i.e. Ministries, national government plans, experts opinions</i>
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3.2 Existence of national/local programmes targeting the problem of financing micro enterprises	<input type="checkbox"/> National strategy implemented at regional and local level <input type="checkbox"/> Local and regional strategies initiatives <input type="checkbox"/> No action anywhere <i>Additional comments:</i>	<i>National information sources, i.e. Ministries, national government plans, experts opinions</i>
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4. Mainstreaming of microfinance: cooperation between sectors

Suggested data sources

4.1 Are there working relationships (not charity) between banks and self-employment schemes/ MFIs? How many types of cooperations are realised?

Types of cooperation: 1) client referrals; 2) risk sharing⁶; 3) staff support⁷

- Cooperation of all three types
 Cooperation of two types
 Cooperation of one type
 No cooperation at all

Additional comments:

Banks, policy makers, MFIs

4.2 Existence of policy incentives for the actors in the banking sector to provide service to the socially excluded (in cooperation with microfinance providers)?

Existence of the following incentives:
 1) tax credits for financial institutions; 2) full disclosure of bank lending information; 3) partial disclosure

- Existence of 2 or more incentives
 Existence of 1 incentive
 No policy incentives

Additional comments:

National information sources, i.e. Ministries, national government plans, experts opinions

E. Funding and support for micro credit providers

Are MFIs supported through direct funding? Is this funding going to be sustained in the medium to long term?

1. Growth operating margin: possibility for financial self sufficiency

Suggested data sources

1.1 Average MFI interest rate points over average bank interest rates for business loans⁸

- > 7 %
 4 - 7 %
 1 - 3 %
 < 1 %

Additional comments:

Microfinance Institutions

1.2 Cost per € 1,- lent of largest MFI?

- > € 0.50
 € 0.10 - € 0.50
 < € 0.10

Microfinance Institutions

⁶ Risk sharing: i.e. loan syndication, guarantees, etc...

⁷ Staff support: i.e. bank staff that assists the MFI-staff

⁸ Calculation: Weighted average of the mean interest rates of the five biggest (in terms of loans) MFIs. Weight is Number of loans the MFI does over Number of loans the biggest 5 MFIs do together

2. Public support for microfinance activity

Suggested data sources

2.1 Existence of lobby organisations for microfinance?

- Several lobby organizations active
 One lobby organisation active
 None active

Additional comments:

Microfinance networks, MFI's, policy makers

2.2 Microfinance as an issue on governmental agendas

- Microfinance is present on national and regional agendas
 Microfinance is present on regional agendas
 Microfinance is not present at all

Additional comments:

National information sources, i.e. Ministries, national government plans, regional employment plans, experts opinions

2.3 Existence and accessibility of guarantee schemes for microfinance institutions. Do guarantee schemes exist that are accessible for microfinance institutions to secure microloans?

- Yes, at national level
 Yes, at regional/local level
 no

Financial/Microfinance institutions

If such guarantee systems exist, are they:

- Accessible for all microfinance providers
 Restricted to some institutional types

Additional comments:

3. Donor culture

Suggested data sources

3.1 Diversity of funding sources available for microfinance institutions. Is funding for microfinance institutions available throughout the country?

- Yes, at national level
 Yes, at regional/local level
 no funding available for microfinance institutions

National information sources, i.e. Ministries, national government plans, regional employment plans, experts opinions

If yes, how many of these funding streams are available?
1) banks, 2) private (i.e. charity), 3) public funding

- All three funding streams
 At least two funding streams
 One funding stream

Additional comments:

3.2 Is the charity regulation favourable (tax deductible) for donors to invest in loan portfolio and/or in operational cost of micro-lending?	<input type="checkbox"/> Charity law allows donors to invest in loan funds and operational costs with no restrictions <input type="checkbox"/> Charity law existent but restricted <input type="checkbox"/> No charity law <i>Additional comments:</i>	<i>National legislation for charity law</i>
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4. National allocation of EU-Funds

Suggested data sources

4.1 Is the support of entrepreneurship and self-employment a priority in the national ESF-strategy and what resources does it get (compared to other priorities).	<input type="checkbox"/> Enterprise is a strong priority (>25% of programme resource) <input type="checkbox"/> Enterprise medium priority (10-25% of programme resource) <input type="checkbox"/> Weak priority (<10% of resource) <i>Additional comments:</i>	<i>National ESF strategy and budget allocation</i>
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4.2 Is micro finance activity specified in an ESF-measure and has it been used?	<input type="checkbox"/> Specified and used <input type="checkbox"/> Specified but not used <input type="checkbox"/> Not specified <i>Additional comments:</i>	<i>National ESF strategy and budget allocation</i>
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This project is executed on behalf of the European Commission *DG Employment, Social Affairs and Equal Opportunities* as part of the EU project:

**“From Exclusion to Inclusion Through Microfinance:
Learning From East to West and West to East”**



MICROFINANCE CENTRE
for Central and Eastern Europe and the New Independent States



Forschung und Beratung
EVERS JUNG
in Finanzdienstleistungen