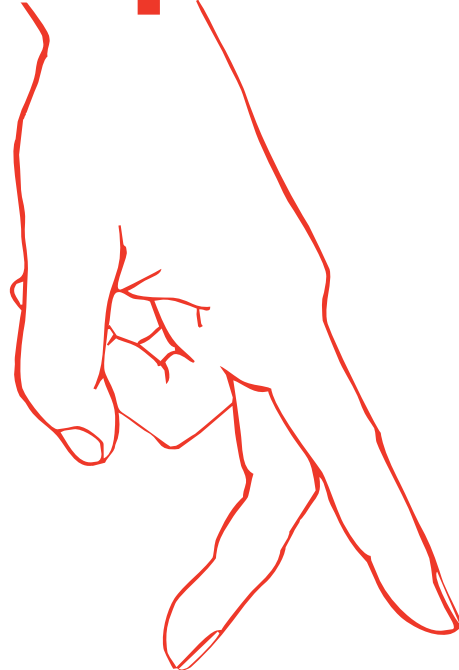


Study on Microenterprise Financing and Development.



Good Practice in Europe

Barcelon@ctiva



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Foreword



In an active and innovative city like Barcelona, ever more opportunities appear for personal and professional development through the creation of new business initiatives to meet the needs of a changing society.

We can state from the 20 years of Barcelona Activa's experience that you can learn to be an entrepreneur, with the necessary training and support. So it is that we at Barcelona Activa have during these 20 years built a variety of mechanisms and innovative methods to accompany people in the process of creating their businesses. With the objective of improving conditions for starting up we have paid particular attention to groups with greater difficulty in putting their business ideas into action and have developed responses appropriate to their specific needs. This is because business creation is a fundamental driver in the generation of jobs, which decisively to growth, progress and cohesion in our society.

In this sense the "Equal" Community Initiative, "Barcelona Emprene en Igualdad" (Barcelona starts up in equality) constitutes a very important way to bring the creation of companies closer to these groups with greater problems, having a bearing on their identification as a way to future employment and implementing new methods to support enterprising initiatives. This initiative is led by Barcelona Activa together with the Chamber of Commerce, the Fundació Un sol Món, part of Caixa Catalunya's social work initiative, and other bodies representing the economic and social fabric of the city of Barcelona.

This study is the result of the transnational project, which includes this initiative, focussed on the tools for supporting and advising these groups and on sharing and examining these in greater depth. Hence this study brings together an extensive catalogue of good practices in Europe for promoting enterprising initiatives with the aim of spreading what is being done and what is working in Spain and the rest of Europe.

The aim for this publication is for it to be an instrument for reflection and a guide so that the institutions and the people who work in bodies supporting the creation of companies and social and occupational inclusion have successful models for the design and implementation of new programs and measures in their organisations.

Maravillas Rojo Torrecilla
Chairwoman
Barcelona Activa



Executive Summary



Microenterprises, small and medium sized companies play a fundamental role in the European economy since they represent the largest source of business capability, innovation and jobs. From the majority of the twenty five European countries, 23 million SMEs generate approximately 75 million jobs and represent 99% of the companies in existence. However, these companies often have to cope with market dysfunctions, such as the lack of capital or credit or the lack of resources, especially in the initial phase of activity, making access to new technology and innovation more difficult.

According to the study “*Legislative measures to promote the use of microcredit as a tool for social inclusion*” carried out by Facet, EVERS&JUNG and nef, the lack of finance is not the only element making business creation difficult. The study explains that entrepreneurs have to face a series of barriers to gain access to financial and associated services:

- Barriers related to the entrepreneurs’ personal situation.
- Prior barriers to self-employment.
- Barriers between the different systems charged with correctly implementing programmes to promote self-employment.
- Barriers resulting from inadequate strategies for finalising the support programmes (lack of coordination between the main institutions).

Nevertheless, ever more microenterprises are created in the European Union. The new definition of a microenterprise, adopted by the European Union, takes into account the different obstacles mentioned above so sets specific financial thresholds when it comes to speaking of microenterprises. The objective of this differentiation between microenterprises and traditional companies is to encourage the adoption of measures which respond to the specific types of problems which microenterprises face, especially during the start up phase.

At a European level, micro-finance activity is to be found at the intersection between two important subjects. On the one hand there are the *economic policies* developed by the European Commission and the member countries *to generate employment and drive economic growth* through investment and innovation. Then there are *social inclusion policies* which need to *promote a system for egalitarian education, opportunities for employment and the eradication of poverty in the Union*. Although initially the economic dimension of microfinance was practically the only one taken into account, the European institutions have now become aware of the powerful relationship between lack of access to credit and social marginalisation. To this dual focus is to be *added regional cohesion policy*, the objective of which is to lessen the great disparities between the regions.

Starting from 2007 microfinance is to be called upon to play a more important role within the framework of regional policy, mainly through the new programme *JEREMIE*. This is why the objective

pursued by *EQUAL*, which consists of promoting new practices to fight against discrimination and inequalities of all types in relation to the occupational market, is perfectly framed in this policy of encouragement of microenterprises.

Nevertheless, despite governments starting to implement the necessary regulatory measures to make access to capital easier and promote microenterprises, the microfinance organisations continue to be the true actors in the sector. They are the only ones who can provide specific and appropriate responses to micro-entrepreneurs by means of a set of services which are not limited to financing which, if essential, is not sufficient to guarantee the success of a microenterprise.

For the above reasons, this study seeks:

- Firstly to show that programmes, methodologies and services exist which have shown themselves to be effective in promoting the entrepreneurial spirit in Europe and that these can be transferred to other contexts and contribute to supporting microenterprises whatever the environment, and
- Secondly to identify the bridges and barriers which currently exist between the social system, employment, the business and the financial system and which can be set up or removed.

This overview is indispensable for self-employment and microfinance to become true instruments in the fight against social exclusion.

To achieve these objectives a transnational Equal partnership “*Building Entrepreneurship*” has been established, made up of four national programmes:

- United Kingdom: “Supporting Inclusion in Enterprise Development”, led by the London Borough of Islington.
- Denmark: “Integration & Development of Immigrant Businesses”, led by EVU’s. Knowledge Centre for Ethnic Entrepreneurship.
- Hungary: “Bridge”, led by the Autonomía Foundation.
- Spain: “Barcelona Emprende en Igualdad”, led by Barcelona Activa.

All these working in the field of enterprise initiatives and social inclusion decided to contact the European Microfinance Network (EMN). They requested its assistance in the selection of a series of good practices among European microfinance organisations, as well as among those organisations which, although they do not specifically work in the sector, participate in the development of microenterprises, either through support activities or through the advisory and information services they offer.

Three “key” fields of activity were defined during this process: *financing, monitoring and support and administrative measures*. Following this classification, thirteen initiatives were selected which stand out due to their innovative focus and the results obtained. The study includes a detailed description of the microfinance sector at a European level, a specification for the methodology used, a technical explanation for each good practice, as well as a series of recommendations for transferring them.

The main recommendations drawn from the analysis take into account the key aspects seen in each of the good practices studied. These aspects are fundamental in relation to social inclusion self-employment. For this reason it was felt necessary to carry out an analysis of the context in which the initiatives are steeped, for future transfer.

Recommendations set out:

1. *Offer simple access.*
2. *Contribute to the development of a legal framework.*
3. *Augment guarantee structures.*
4. *Offer financial and support tools.*
5. *Promote training in the process of granting and managing loans.*
6. *Provide simple, easy-to-use information tools.*
7. *Offer qualitative support before and after the loan.*
8. *Make the renting of materials easier.*
9. *Offer market access programmes.*
10. *Drive the combination between microenterprise development and Fair Trade.*
11. *Encourage the existence of platforms which deal with all those aspects not strictly speaking related with microenterprise activities.*



Introduction

Barcelona Activa, together with the Barcelona Chamber of Commerce, Fundació Un sol Món, part of Caixa Catalunya's social work initiative, and other bodies representing the economic and social fabric of the city of Barcelona, lead the Equal Community Initiative "*Barcelona Emprende en Igualdad*" which has the objective of bringing the processes for creating companies closer to those groups with greater difficulties by means of the drive from new mechanisms for helping entrepreneurial initiatives.

The transnational Equal partnership "*Building Entrepreneurship*" has also been created within this framework, made up of four national programmes:

- United Kingdom: "Supporting Inclusion in Enterprise Development", led by the London Borough of Islington.
- Denmark: "Integration & Development of Immigrant Businesses", led by EVU's. Knowledge Centre for Ethnic Entrepreneurship.
- Hungary: "Bridge", led by the Autonomía Foundation.
- Spain: "Barcelona Emprende en Igualdad", led by Barcelona Activa.

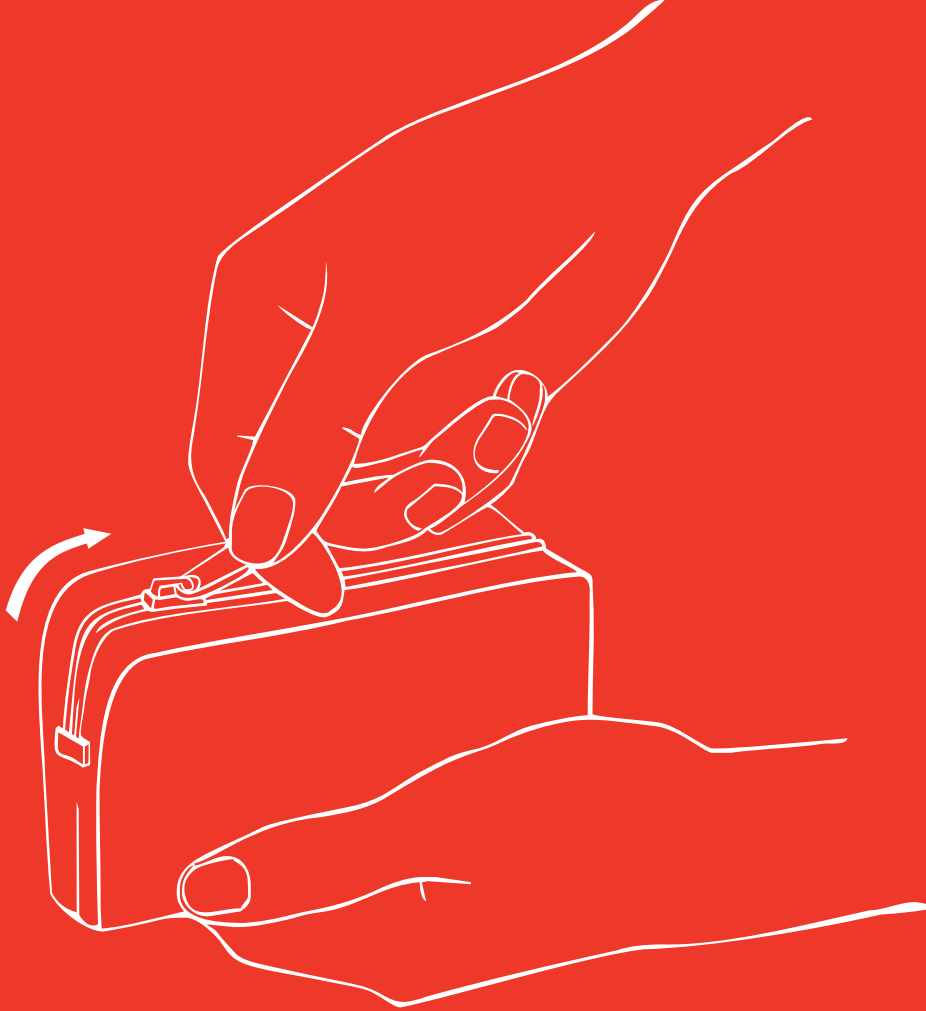
All of these work in the field of entrepreneurial initiatives and social inclusion. On preparing the work plan in the framework of the transnational project four subjects were defined which would be tackled in different work groups with each being completed with a publication¹.

The work group led from Barcelona established their subject the new forms of support and for companies promoted by people from groups who have greater difficulty in getting access to self-employment or the creation of a business as a way into work. This search led us to contact the *European Microfinance Network (EMN)* to request its assistance in the selection of a series of good practices among European microfinance organisations, as well as among those organisations which, although they do not specifically work in the sector, participate in the development of microenterprises, either through support activities or through the advisory and information services they offer.

The European Microfinance Network (EMN) was created in April 2003 with financial support from the European Union and Caisse des Dépôts et Consignations (CDC). The founder members are *Adie* (Association pour le droit à l'initiative économique) in France, *nef* (New Economics Foundation) in the U.K. and *EVERS&JUNG* in Germany. *EMN* is an association governed by the French Law of 1901 and was officially registered as such with the Police Headquarters on 23 May 2003.

The objective of the network is to promote microfinancing in Western Europe as this is a tool which has shown its effectiveness in the fight against unemployment and exclusion. In addition to the founder members, *EMN* has others, all of which are European organisations interested in the operation of microfinancing in Europe. *EMN* currently has 54 members spread over 21 European countries.

¹ You can consult all the information linked to the development of the transnational project on the www.buildingentrepreneurship.com web page.



1. Methodology

1.1. Identification of good practices

1.2. Study methodology

1.1. Identification of good practices

The first phase in the preparation of this study was the definition of good practices in the area of the promotion and financing of microenterprises and the definition of the selection criteria to be used. These criteria strongly took into account the working methods and the results observed by *EMN* in the framework of their Network activities in the European microfinance sector.

Definition²

A good practice can be defined as a technique or methodology whose effectiveness in obtaining a given result has been demonstrated through experience and research.

For greater precision it can be said that: “Good practices are all types of strategies, plans, tactics, procedures, methodologies, activities and focuses which have been documented, are accessible, effective, relevant, widely accepted, the work of identifiable organisations and are carried out by appropriately trained personnel. These methods, in addition to respecting the current legislation, have been shown through research and practice to be effective in responding to what is expected of them and given shown that they can be modified and improved continually according to the circumstances.”

Selection criteria

This makes it clear that a good practice needs to meet a minimum of essential criteria. A good practice must be:

1. Documented.
2. Accessible.
3. Based on procedures and a methodology.
4. Tested and put into practice.
5. Capable of achieving a defined objective.
6. Transferable.
7. Profitable, as the benefit needs to exceed the cost. The relationship between income and costs must be higher than for similar practices.
8. Effective, that is to say, capable of achieving the anticipated results.
9. Adaptable and capable of coping with unexpected situations.
10. Able to provide reference points and frameworks.
11. Capable of handling the human, administrative, technical and physical aspects of the activity, that is to say, the elements which make implementation possible, such as people, procedures, policies, plans, systems, networks, technology or installations.

² In accordance with Facet in the framework of the regional Meda-ETE project.

These characteristics are those which permit the identification of good practices.

On the other hand, in this study it was considered useful to classify good practices in three fields of action to permit the analysis of the main characteristics of the support for micro-enterprises in Europe.

These three fields are the following:

- *Financing* for creation and development since this is one of the main obstacles to the creation of companies.
- *Monitoring and support*: which are indispensable in the European context.
- *Administrative measures*: only a favourable environment will allow such practices to develop.

Likewise, the study takes the following points into account:

- The relevance of the good practices with respect to the activities of the Spanish and international members of the EQUAL project.
- The variety of good practices according to the three predefined fields (financing, monitoring and support to micro-entrepreneurs and administrative measures).
- The possibility of transferring each of the good practices studied to a regional or national context other than that of origin.

Objectives of the analysis

The main objective of this study is to show that programmes, methodologies and/or services exist which have shown themselves to be effective in promoting the entrepreneurial spirit in Europe and that these can be transferred to other contexts and so contribute to supporting microenterprises whatever the environment.

It will also be possible to identify the bridges and barriers which currently exist between the social system, employment, the business and the financial system and which can be set up or removed. This overview is indispensable for self-employment and microfinance to become true instruments in the fight against social exclusion.

The terms self-employment (freelance activity) and microenterprise are both used in the study. The former refers to the alternative which exists instead of wage-earning work while the latter refers to the size of the business (less than ten employees) with respect to SMEs (see the detailed definition later). In both cases the entrepreneur may need financing and business advice. This study analyses the practices which exist to achieve the objectives mentioned with the best possible conditions.

1.2. Study methodology

EMN selected of a series of good practices among European microfinance organisations, as well as among those organisations which, although they do not specifically work in the sector, participate in the development of microenterprises, either through support activities or through the advisory and information services they offer.

Following the classification described above, twenty initiatives were pre-selected which stood out thanks to their innovative focus and the results obtained. Among these, thirteen were chosen to be included in this study, the objective of which is to offer as complete a picture as possible of the various tools existing in Europe for promoting the entrepreneurial spirit.

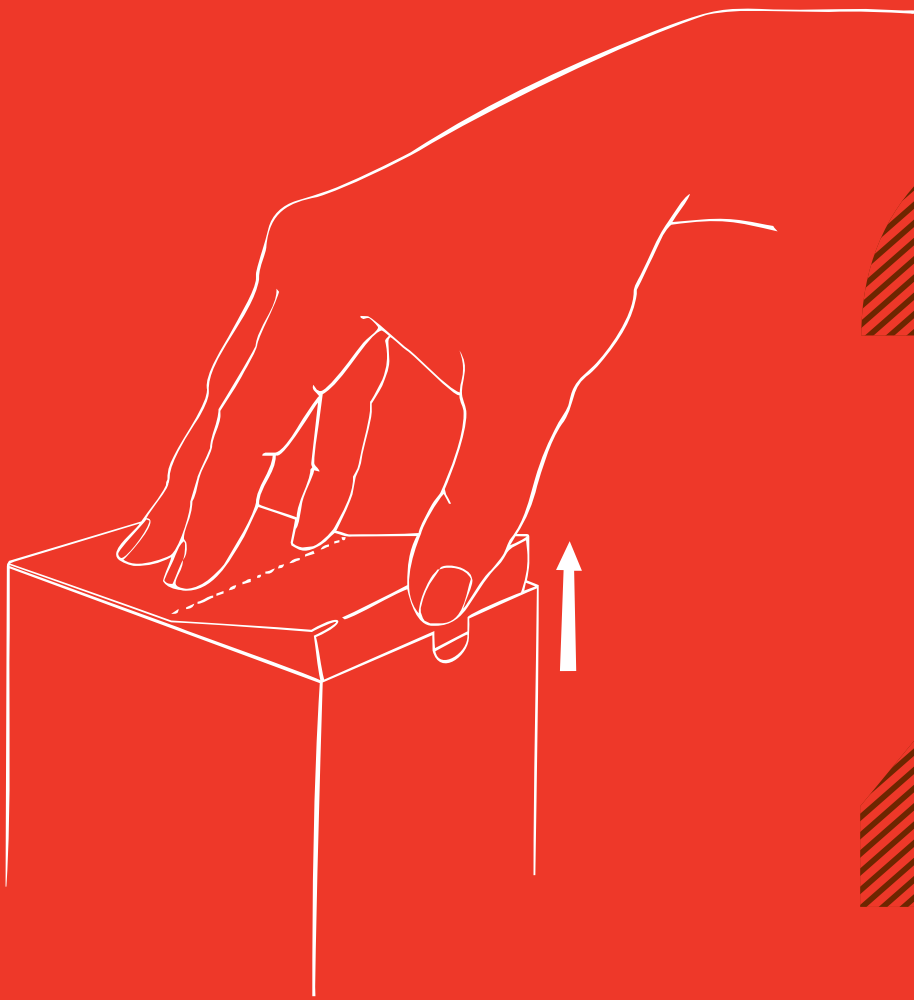
Each of these good practices is made up of 8 sections:

1. *Organisation*: presentation of the organisation or project from which the good practice originated.
2. *Good practice*: presentation of the good practice.
3. *Target public*: presentation of the target public at whom the good practice is aimed.
4. *Contribution to the development of microenterprises*: the way in which the good practice participates in the development of microenterprises.
5. *Main results obtained*: presentation of the main results obtained by the good practice.
6. *Lessons learned*: what should be retained from the good practice and things it can teach us.
7. *Recommendations*: what should be retained from the good practice and in what measure this is an example to follow and transfer to another context.
8. *Keywords for the good practice*: a few words summarising the good practice.

Additionally, as these practices have a European scope; eight countries are represented in this study. Hence it is appropriate to give a small presentation on the national context in which each of these practices has been implemented. This allows you to understand and see to what degree each of the good practices can be copied and implemented as is in another country or whether the national context needs to be adapted beforehand due to existing company or microcredit legislation as well as in the area of freelance activity (self-employment).

Sources of information

The different sources detailed in the bibliography section were consulted in the carrying out of this study. To complete and update the available information the team charged with carrying out the study contacted various organisations in addition to those analysed in this study. They also turned to two other studies in which EMN had collaborated: *“From Exclusion to Inclusion through Microfinance: Learning from East to West and West to East”* (a study carried out by MFC, a Polish member of EMN) and the study carried out by Facet, nef and EVERS&JUNG in 2003 for the European Union.



2. Economic and geographical context

**2.1. Encouragement of employment
and microfinance in Europe**

2.2. Geographical and socioeconomic data

2.1 Encouragement of employment and microfinance in Europe

Microenterprises, small and medium sized companies play a fundamental role in the European economy since they represent the largest source of business capability, innovation and jobs. In the twenty five European countries, 23 million SMEs provide approximately 75 million jobs and represent 99% of the companies in existence. However, these companies often have to cope with market imperfections, such as the lack of capital or credit, especially in the initial phase of activity. In addition, this limiting of resources also affects their access to new technology and innovation. This is why the support for SMEs forms part of the European Commission's priorities in respect to economic growth, the creation of employment and economic and social cohesion as "they constitute a source of essential work and encourage the entrepreneurial spirit and innovation in the EU. In this sense they are essential for stimulating competitiveness and employment".³

Among SMEs, microenterprises make up approximately 94% and they play a fundamental role in the development of the sector.

Barriers to access

According to the study "Legislative measures to promote the use of microcredit as a tool for social inclusion", carried out by Facet, EVERS&JUNG and nef, there are barriers to access to financial and other associated services in the sphere of self-employment (or freelance working) and the creation of companies. The barriers are as follows:

- Barriers related to the entrepreneurs' personal situation.
- Prior barriers to self-employment.
- Barriers between the different systems charged with correctly implementing programmes to promote self-employment.
- Barriers resulting from inadequate strategies for completion of support programmes which do not fit together (bridges between the main institutions).

Type of business	Staff	Turnover	Total Balance
Medium sized	< 250	≤ € 50 million	≤ € 43 million
Small	< 50	≤ € 10 million	≤ € 10 million
Microenterprise	< 10	≤ € 2 million	≤ € 2 million

³ Günter Verheugen, Member of the European Commission, Commissioner for Enterprise and Industry.

In the framework of this study, the most relevant barriers are the last three as these mainly refer to the legislative and administrative framework.

1. Prior barriers to self-employment:

If a person is capable and wishes to create their own microenterprise, they have to deal with the following obstacles:

- a. *The inactivity trap*: people who wish to create a business fear losing their benefits and/or subsidies (unemployment, social support, etc), which represent a very modest but constant income.
- b. *Social security contributions* for people who create their own employment can be so high at times as to be a deterrent.
- c. *Contradictory information* and lack of a single point of information or assistance for new businesses.
- d. *Black list*: the institution of administrative proceedings in the case of failure and the penal or fiscal record can make access to traditional sources of finance difficult or even impossible.
- e. A *business plan* is indispensable to be able to obtain credit.
- f. *Banks*, whose productivity is significant and which have access to international markets for capital, impose a minimum values for the loans they grant which often exceeds the financial needs of people who wish to become self-employ-

ment or create a microenterprise. As this type of limitation reduces costs and increases profits, banks increasingly marginalize those who need small sums of money.

- g. *The legal demands* for the creation and registration of companies also represent significant obstacles.

2. Barriers between the different systems:

Obstacles existing between the systems which should be contributing to the development of self-employment and microcredit. The players who decide the environment in which the tools for microcredit and self-employment are implemented are the following:

- a. *The social security system*: traditionally, the main objective of the social security system is to offer a minimum income to those who are not able to obtain this by themselves. However, as these systems are ever more costly and the need grows to make more effective use of human capital, numerous EU countries give precedence to measures which allow people to leave social support and get back into the labour market. The new member countries which still have not developed significant social structures have started programmes which permit them to reach the same level as the older member countries.
- b. *Job centres / business promotion systems*: the most important function of job centres is that of finding a job post for unemployed people, although in some countries they also take charge of making the sub-

sidy payments. Despite the fact that public employment policies usually concentrate on the search for wage-earning employment, they also seek to offer unemployed people with appropriate training for the types of employment available.

- c. *Financial systems*: the main objective of the financial sector is that of protecting savings and investing them in low risk projects with high potential. This excludes financing of microenterprises and self-employment de facto given that both activities involve a high level of risk which is not compensated by the profits obtained.

3. Barriers resulting from inadequate strategies for completion of support programmes:

The majority of support programmes are focussed on the initial phase as well as on financial support for self-employment. Within these support programmes, the barriers are defined as the lack of a strategy for completion or transition. To move successfully from a situation of assisted self-employment to having a self-supporting independent business two types of transition are needed:

- a. A transition between a subsidised situation and a situation in which the person earns enough to satisfy the needs of their home thanks to their business activity. In this case it is possible that the entrepreneur will need additional help when income is low (this help may be financial or of another type).

- b. A transition between the business support programmes and access to bank and business advice which responds to their needs for financial and business development.

It is possible therefore to say that to promote self-employment, is necessary to consider a series of elements that constitute the described barriers. The lack of financing is not more than one of these elements among other many.

Promoting the creation of microenterprise across the European Union

Ever more microenterprises are created across the European Union. The new definition takes this situation into account and hence sets specific financial thresholds. The objective of this additional differentiation with respect to the remaining companies is to encourage the adoption of measures which respond to the specific types of problems which microenterprises face, especially during the start up phase.

At a European level, micro-finance activity is to be found at the intersection between two important subjects. On the one hand there are the economic policies developed by the European Commission and the member countries to develop employment and drive economic growth through investment and innovation. Then there are social inclusion policies which need to promote a system for egalitarian education, opportunities for employment and the eradication of poverty in the Union. Although initially the economic dimension of microfinance was practically the only one taken into account, the European institutions have now become aware of the powerful relationship between lack of access to credit and social marginalisation.

To this dual focus is to be added regional cohesion policy, the objective of which is to lessen the great disparities between the regions. Starting from 2007 microfinance is to be called upon to play a more important role within the framework of regional policy, mainly through the new programme **JEREMIE**. This is why the

objective pursued by **EQUAL**, which consists of promoting new practices to fight against discrimination and inequalities of all types in relation to the occupational market, is perfectly framed in this policy of encouragement of microenterprises.

Nevertheless, despite governments starting to implement the necessary regulatory measures to make access to capital easier and promote microenterprises, the microfinance organisations continue to be the true actors in the sector. They are the only ones who can provide specific and appropriate responses to micro-entrepreneurs by means of a set of services which are not limited to financing which, if essential, is not sufficient to guarantee the success of a microenterprise.

The study of good European practices for financing and supporting microenterprises and the entrepreneurial spirit and the assistance for spreading these should, therefore, contribute to achieving the objectives defined by the European Union and, more specifically, those of the **EQUAL** programme. However, to know if the good practices analysed can be transferred to contexts other than those of origin it is important to better understand the national contexts which interest us, particularly with respect to business support and to the development of microenterprise.

2.2. Geographical and socioeconomic data



Germany

Area: 357,027 km²

Capital: Berlin

Total population: 82.7 million

Urban population: 87%

Population density:
232 inhab./km²

Active population:
42.61 million

No. self-employed people:
4.41 million

Unemployment rate:
8.1% (Sept. 2006)

% self-employed/active population: 10.31%

GDP (2005): €2,241 billion

Rate of GDP growth: 1.53%

Risk of poverty in % of active population: 11%

Risk of poverty in % of unemployed people: 34%

Risk of poverty in % of self-employed people: 5%

Political regime: Parliamentary republic, Federal State

Source:
Federal Statistical Office
<http://www.destatis.de>

2.2.1. Germany

In 2003, 11% of the German population lived below the poverty threshold (the EU average is 15%). The groups most affected are young people, women and immigrants, especially in the old East Germany.

The existence of strict banking legislation (e.g. the banks are the only organisations who can grant credits) makes any microfinance initiative impossible and makes it difficult to implement an appropriate response to the financial needs of the population. Despite the fact that the government has not implemented measures to encourage the banks to make access to their services easier for socially marginalised people, German banking activities often have a social dimension.

In spite of the German government not applying the Action Plan for fighting against poverty and social exclusion by means of microfinance, public opinion is ever more aware of the social benefits which such initiatives bring in the fight to counteract unemployment and encourage freelance activities.

Even so, there are examples of government initiatives which attempt to develop tools to help microenterprises. But, from the broader perspective, German policy is not sufficiently effective with regards microenterprises.

Nevertheless, current legislation does not cover all the shortages for the microfinance sector. At times, even within the legislative framework, the potential offered is not taken advantage of. For example, the German social system allows institutional players to invest in

the activities of those people who wish to be self-employed and this can even be before they start this activity. The legislation is fairly flexible and makes it possible to grant loans and subsidies, although only the authorities of the city of Kassel have taken advantage of this possibility.

In Germany the banking statute is defined by law and a licence is required to be able to carry out banking activities. Therefore, cooperation with banks is the only option which non-banking organisations have to be able to carry out financial activities. There are already five examples of cooperation between banks and microfinance organisations, but the total of the loans granted within this framework continues to be insignificant. A report by EVERS&JUNG counted 24 microcredit organisations in Germany in 2003, although the majority could not be considered as such due to their small size, their limited scope and their low relative sustainability.

The bank KfW is an important player in the microfinance sector due to its significant involvement with SMEs and microenterprises. The main challenge which microfinance organisations need to deal with is that of convincing the banks that they act as channels for the distribution of microfinance products.

2.2.2. Belgium

Since the mid-70's new SMEs have been able to enjoy public assistance in the form of subsidies or guarantees. The objective of the latest microcredit initiatives implemented by the public sector and federal organisations is to develop self-employed working within the framework of the fight against unemployment. To complete this action, town councils can grant loans for the creation of companies. There is also a government guarantee fund for those players who decide to invest in the solidarity economy sector.

Banking law allows great liberty in the microfinance sector. No type of licence is required. Hence there are a large number of organisations acting in the sector. None of these organisations is subject to any control.

- The “*Montes de piedad*”, which depend on the town councils, are the oldest players on the continent and grant microloans. They resort to the technique of secured loans which can be applied for by micro-entrepreneurs.
- The most important Belgian credit organisation for SMEs is the *Fonds de Participation* (Participation Funds). This organisation is financed by public funds and its activity is focused on unemployed people as well as those small companies which are at the limit of bank access.
- Individual microlenders can also form organisations. This allows them to take advantage of a number of tax benefits. The

majority of these are very small since the Banking Commission does not authorise the existence of these organisations unless they have less than 50 people. When this limit is passed it is possible to acquire the status a cooperative.

Thanks to the different statuses proposed by Law (from association to cooperative), Belgium has several options which let microfinance organisations act, albeit in a small way, at lower cost at the same time as allowing them to raise funds by means of the system of cooperatives and the tax breaks from which they can benefit.

In Belgium it is the government which initiates the majority of microfinance projects. But there are also private initiatives like the *Solidarity Loan* which is a collaboration between three players: an NGO, Triodos Bank y Credal Microcredit. There are also several less significant programmes initiated by NGOs or associations without legal status.



Belgium

Area: 30,518 km²

Capital: Brussels

Total population:
10.4 million in 2006

Population density:
342 inhab./km²

Active population:
4.2 million in 2004

Unemployment rate:
8.4% in 2005

Rate of GDP growth:
1.2 % in 2005

Risk of poverty in % of active population:

Risk of poverty in % of unemployed people: 28%

Risk of poverty in % of self-employed people: 19%

Political regime: Federal, parliamentary and plural monarchy

Source:
National Bank of Belgium
<http://www.nbb.be/Sg/Fr/homef2.htm>
and the German Federal Statistical Office <http://www.destatis.de>



Bulgaria

Area: 111,002 km²

Capital: Sophia

Total population:
7.7 million in 2006

Urban population:
70.2% in 2005

Population density:
69 inhab./km²

Active population:
3.3 million in 2005

Unemployment rate:
10.1% in 2005

GDP: €21.45 billion in 2005

Rate of GDP growth:
5.5 % in 2005

Political regime: Republic

Source:
German Federal Statistical Office
<http://www.destatis.de>
and the Bulgarian National Statistical Institute www.nsi.bg

2.2.3. Bulgaria

The Bulgarian microfinance sector mainly depends on three large organisations: Mikrofund, NACHALA and USTOI. In addition, there are many small programmes for the neediest people in search of credit. The portfolio of active loans totalled 54 million euros in September 2005, a similar figure to that for 2004. Several banks such as ProCredit Bank and Raiffeisen-Bank now offer small credits in Bulgaria and are penetrating the market quite aggressively. The average value of loans granted by the banks is rather high (it varies between 13,000 and 14,000 euros) and is allocated almost exclusively for consumer credit. The stability of the loans is explained in part by the lack of funds in the microfinance sector as well as by the fact that the banks are ever more present in the sector. As such the banks have created a credit office in which the microfinance organisations are not allowed to participate.

No formal mechanism exists in Bulgaria for exchanging information on active customers between banking and non-banking organisations, although some organisations, such as NACHALA, USTOI and Popular Kaasa, share data on their clientele informally. This lack of communication, together with ever more developed competition, could lead to a condition of excessive indebtedness in the sector in the medium term and, therefore, an increase in failures to pay. NACHALA and other microfinance organisations are members of the Bulgarian Credit Cooperatives Association and the SME Association.

As Bulgaria has no specific legal framework for microfinance, the microfinance organisations fall back on the law for cooperatives. Only one article in this law refers to microfinance organisations. The law prohibits cooperatives from recovering savings. In the last four years, representatives of the microfinance sector have attempted to develop an adapted legislative framework which has led to a first draft for the “Law for credit cooperatives”, but without this having given the cooperatives the right to recoup savings. The Bulgarian parliament has not reached any definitive agreement on this law and it is very likely that they will reach no agreement in the short term as all their efforts are focussed on Bulgaria’s access to the European Union. In addition, there is no control from the Bulgarian Central Banks and the country continues to lack regulation and clear control for cooperatives and microcredit organisations.

2.2.4. Spain

Excepting the microcredit programmes put forward by the savings banks and credit cooperatives, the Spanish banking sector does not have a systematic policy for SMEs. Therefore, the savings banks and credit cooperatives are the most important financial organisation in the microfinance sector and represent approximately 50% of the funds in the Spanish financial sector.

The savings banks are credit organisations which are subject to the same regulatory framework as the banks, but are organised based on the private foundation model. This nature obliges them to allocate at least 25% of their profits to social works including, among other things, microcredit activities. All of this takes place through their foundations.

ICO (the Official Credit Institute - Instituto de Crédito Oficial), which receives support from the European Investment Fund, is the main microcredit program for people at risk of social exclusion. This organisation signs agreements with Spanish banks so that these grant loans to the social bodies responsible for evaluating the viability of projects, presenting them to the banks and providing advisory and monitoring services to micro-entrepreneurs. The people who benefit from this programme are those people who wish to set up a business, but do not have guarantees (unemployed people, people over 45, single parent families, immigrants, women and people with disabilities).

The average of the credits granted in Spain varies between €6,000 and €18,000 (the limit being €25,000 according to the definition of microcredit established by the European Union). The number of credits granted within the framework of the ICO programme is not sufficient to meet the demand and so the programmes operated by the savings banks are ever more significant within the Spanish microfinance scene.



Spain

Area: 505,988 km²

Capital: Madrid

Total population:
44.2 million in 2006

Urban population: 76% in 2006

Population density:
83 inhab./km²

Active population:
21.66 million in 2006

Unemployment rate:
8.15% in 2006

**Size of the informal sector
in % of GDP:** 22.6%

**% self-employed/active
population:** 15.3%

GDP: €905.46 billion in 2005

Rate of GDP growth:
3.5 % in 2005

**Risk of poverty, % of total
population:** 19%

**Risk of poverty in % of
unemployed people:** 37%

**Risk of poverty in % of
self-employed people:** 20%

Political regime:
Constitutional monarchy

Source:
German Federal Statistical Office
<http://www.destatis.de>
and the National Statistics Institute
www.ine.es



France

Area: 543,965 km²

Capital: Paris

Total population:
64.8 million in 2006

Urban population: 76% in 2006

Population density:
93 inhab./km²

Active population:
27.64 million in 2005

Unemployment rate:
9.8% in 2005

**Size of the informal sector
in % of GDP:** 15.20%

**% self-employed/active
population:** 8.8%

GDP: €1 599.29 billion in 2005

Rate of GDP growth:
1.2 % in 2005

**Risk of poverty, % of total
population:** 15%

**Risk of poverty in % of
unemployed people:** 30%

**Risk of poverty in % of
self-employed people:** 25%

Political regime: Republic

Source:
German Federal Statistical Office
<http://www.destatis.de>
and the National Institute for Sta-
tistics and Economic Studies
www.insee.fr

2.2.5. France

France is one of the countries in which micro-finance is most developed. Adie (Association for the Right to Economic Initiative) and its network are the ones who carry out practically all the microcredit activity with over 36,700 credits granted between 1989 and 2006, representing a total just under 100 million euros. In 2006, Adie granted approximately 6,700 credits totalling over 18 million euros.

Adie has a network of over 300 employees and 1,000 volunteers spread over 22 regional offices, 110 satellites and 380 customer service bureaus, allowing it to offer professional microcredits throughout France. Efforts have been made over the last few years at both legislative and economic levels to develop the entrepreneurial spirit in France. The World Bank rates the number of companies created in France as average for OECD countries. The result of the measures introduced to simplify the creation of companies is that the setting up and registration of companies is no longer considered to be the brake it used to be. However, the weight of social security and tax contributions microenterprises to which are subject continues to be very significant. There is also a strong culture of wage-earning work which opposes the entrepreneurial spirit and an educational system which does not contribute to stimulating it.

The development of microcredit is one of the government's priorities, above all through the "Support for the development of finance" section of the January 2005 "Borloo" law for social cohesion. This law underlines the advantages of self-employment, makes access to support services for setting up companies easy and,

above all, recognises freelance work as a viable way back into the world of work. This law also led to the creation of a social cohesion fund (SCF), the mission of which is to promote microcredit. It is used to guarantee loans granted to unemployed people who wish to set up their own companies, as well as for social microcredits which are in reality consumer loans. These social microcredits, the values of which vary between 500 and 2,300 euros, have been on trial since the beginning of 2005 and are aimed at low income homes.

Traditionally in France the granting of microcredits has formed a part of bank activities or of other financial organisations subject to the same legislation. This does not prevent a section existing in the banking law reserved for associations which lend money to specific groups. This section was added due to lobbying actions by Adie. Before 2003 associations were only able to lend their own funds. This is why Adie used to work in association with banks which lent the funds granted by the association. Thanks to this new device, Adie can now lend the funds requested from the banks, which allows the association to operate much more flexibly and increases effectiveness in the management of the projects analysed. In addition to this, Adie has managed to get the limits removed from the interest rates for loans to companies and so can offer loans at an interest rate above the market rate.

2.2.6. United Kingdom

British microfinance operates in a slightly different context with respect to the rest of Europe as, to a certain degree, it is confused with the financial sector for community development. However, although both share the objective of providing loans to individuals and companies in situations of social or economic marginalisation, the Community Development Finance Institutions (CDFIs) have more organisations, products and target populations than the majority of microfinance organisations.

In the United Kingdom access to financing does not comprise only microfinance and support for the setting up of businesses. In fact, it can reach market niches as varied as microloans for unemployed woman entrepreneurs, cultural or creative companies, new companies in marginalised areas or organisations with a social calling (or “social companies”). Although some institutions specialise in microfinance loans, the sector overall offers a wide range of products for fighting against financial exclusion.

With respect to microcredit, the environment in the United Kingdom is relatively favourable for organisations offering these services since they have the support of banks which provide them with subsidies and loans.

In this context, the government has asked the banks to extend access to financial products to those people in situations of financial exclusion by means of initiatives such as the Basic Bank Account. This lets anyone open an account to manage their transactions, no matter what their history and financial profile. On the other hand, the Small Firms Loan Guarantee

Scheme offers incentives for banks to grant loans to companies which would not otherwise have access to these.

In accordance with the conclusions of discussion forums such as Social Investment Task Force 2000, the government implemented Community Investment Tax Relief (CITR) with the objective of encouraging participation from individual and corporate investors in financing the CDFI sector. The British government’s interest in preventing financial exclusion is now shown through the Financial Inclusion Task Force which met to examine the most effective means of helping financially excluded people.



United Kingdom

Area:	243,820 km ²
Capital:	London
Total population:	59.8 million in 2006
Urban population:	89.5 % in 2006
Population density:	245 inhab./km ²
Active population:	28.99 million in 2006
Unemployment rate:	5.6% in 2006
Size of the informal sector in % of GDP:	12.6%
% self-employed/active population:	12.2%
GDP:	€1,674.53 billion in 2005
Rate of GDP growth:	1.9 % in 2005
Risk of poverty, % of total population:	17%
Risk of poverty in % of unemployed people:	49%
Risk of poverty in % of self-employed people:	14%
Political regime:	Parliamentary monarchy

Source:
German Federal Statistical Office
<http://www.destatis.de>
and the Office for National Statistics
www.statistics.gov.uk



Sweden

Area: 410,934 km²

Capital: Stockholm

Total population:
9.1 million inhabitants

Population density:
22 inhab./km²

Active population:
4.5 million in 2005

Unemployment rate:
7.8 % in 2005

**Size of the informal sector in
% of active population:** 19%

**% self-employed/active
population:** 4.7%

GDP: €2,951.94 billion in 2005

Rate of GDP growth: 1% in 2006

**Risk of poverty, % of total
population:** 9%

**Risk of poverty in %
of unemployed people:** 24%

**Risk of poverty in %
of self-employed people:** 19%

Political regime:
Constitutional monarchy

Source:
Statistics Sweden
www.scb.se/eng,
German Federal Statistics Office
<http://www.destatis.de>
y the OECD <http://www.oecd.org>

2.2.7. Sweden

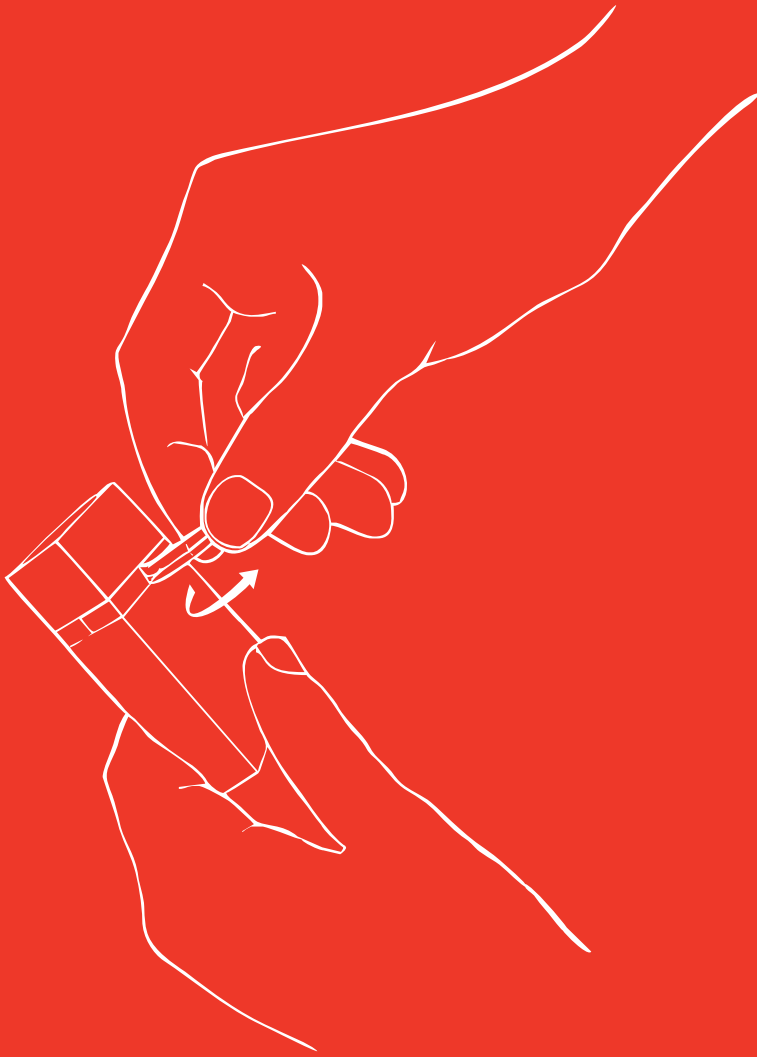
Approximately 800,000 people live below the poverty line in Sweden, representing 9% of the total population (a relatively low percentage compared to the rest of Europe). People with potentially greater difficulties are the elderly, young people, immigrants, single parent families, people with drug addictions and homeless people. A quarter of workers with low incomes work for themselves (including independent farmers). The administrative procedures for microenterprises are very complicated, which makes their development and operation difficult.

The Swedish government has created financial institutions to support local SMEs, such as ALMI Företagspartner, a public institution created in 1994 and which manages 447 million euros in capital, the Swedish Fund for Industrial Development, set up in 1979 and the Sixth Swedish National Pension Fund created in 1996.

Two organisations are present throughout the country: NUTEK (Swedish Agency for Economic and Regional Growth, national consultancy for industrial and technical development) and ALMI. Both offer advice during the launch phase and transfer of microenterprises. Their target clients are unemployed people, those at risk of becoming unemployed and people living in the economically deprived regions.

There is no specific programme for microcredit in Sweden. This does not appear to be a cause concern in the public opinion. Except for the banks, ALMI is the only public organisation which grants loans for microenterprise projects (setting up and development) as a complement

to commercial loans. However, JAK Bank (the first loan and savings system without interest which operates thanks to over 30,000 members) and EkoBanken, a cooperative bank, are organisations which participate in the social economy. The other banks do not currently show much interest in the microenterprise sector, although this situation varies between regions.



3. Good Practices

- 3.1. Financing for creation and development**
- 3.2. Monitoring and support**
- 3.3. Administrative measures**

3.1. Financing for creation and development



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⁴ Financial, monitoring, support and training products.

⁵ An honour loan is a medium term credit of between 2 to 5 years which is granted directly to the entrepreneur or the person who opts for a transfer (and not to the business created in which case it would be a repayable advance). No guarantee is requested, either personal or real (from which comes the expression "honour").

⁶ The EDEN loan is a repayable advance (loan without interest) for a maximum term of 5 years granted, after the evaluation of the business creation project, to an individual who commits to incorporate it in the capital of the created or transferred business or to use it for the operation of the business. Repayment can be deferred for a maximum of 12 months starting from the delivery of the advance. In the case of the business failing, the prefect decided that the sums remaining to be repaid will not be claimed.

3.1.1. Adie – France

Financing of microenterprises and support services for setting up of companies and freelance activities.

3.1.1.1. The organisation

Adie (Association for the right to economic initiative - Association pour le droit à l'initiative économique) was created in France in December 1988 by Maria Nowak who adapted the mechanism for microcredit to the French system. As an association, Adie contributes to improving the regulatory and legal framework for microcredits, as well as for independent work, both at a national and European level. The association also helps in the setting up of microenterprises and so participates in the creation of employment.

3.1.1.2. The good practice

Adie's mission is to finance and support unemployed people who wish to create their own economic activity and cannot get access to traditional bank loans. The association offers finance and advice to entrepreneurs who do not have access to bank credits and who in the majority of cases are unemployed or living on state subsidies.

Adie likewise provides financing for freelancers and microenterprises, thanks to the products⁴ it has developed to meet the needs of its clientele:

- Solidarity loans for business creation (maximum value €5,000; maximum term 2 years; interest rate of 7.3% from 1 January 2007) provide finance for starting up an economic activity. These loans represent 70% of the credits granted.
- Development loans allocated to microenterprises which already exist and have been financed by Adie, but still do not have access to bank credit (the proposed sums are as follows: 1,000 euros, 2,000 euros, 3,500 euros and 5,000 euros. The different sized loans are provided in a chain as the previous loan is paid off).
- There are other types of financing which complete Adie's loans. These types of financing are mainly state loans (honour loans⁵, Eden subsidies⁶, repayable subsidies or advances, loans for creating companies) granted by the State with the assistance of organisations like Adie.
- Test loans for those who turn to these to measure a project's viability.
- Material loans.

In general, needs for financing do not exceed 10,000 euros. With its significant network of volunteers, which is one of the organisation's strong points, Adie offers advice to micro-entrepreneurs in the following areas:

- Assistance in preparing development plans, in cooperation with other consultancy organisations for companies.

-
- Administrative help, commercial management and marketing advice.

Adie has also signed a variety of agreements with different organisations with the objective of offering micro-entrepreneurs additional services which complement the financial aspect offered by Adie itself. So it is that since 2004 Adie and Microsoft France have arranged for entrepreneurs to start using information technologies. In this way the micro-entrepreneurs get the chance for access to training in the use of information technology or improving their knowledge of it. This is an indispensable tool now, above all in business. When they finish this training, Adie offers the micro-entrepreneurs the chance to purchase a renovated computer from the framework of the “Restos du Cœur” (Restaurants of the Heart) reintegration workshops. This is a French association which helps people in a position of social exclusion and provides them with work.

Adie’s lobbying actions of some years ago also had repercussions in the development of the legislation in the field of microcredits in France, above all in the last three years. So it is that since July 2003 banking law has been adapted so as to permit microcredit organisations to be able to obtain loans from the financial organisations to be lent in turn to unemployed people and people who live on state subsidies and wish to create their own business. In addition, the interest rate rise is no longer limited, which means that Adie can lend at 7.3% from 1 January 2007 to take into account the rise in the interest rates for the Term Liabilities and so cover the cost of the money and a part of the fixed costs.

3.1.1.3. Target public

1. Adie finances all types of projects. The main decision criteria are the capability and motivation of the micro-entrepreneurs, as well as the viability of the project.
2. People benefiting from state subsidies made up over half (56%) the people financed in 2005. Unemployed people, whether receiving unemployment subsidy or not, make up 35% of the clients financed by Adie. The proportion of wage-earners is low (3%). This is made up mainly of poor workers, often single women, who carry out some small additional economic activity to be able to cover their home expenses.
3. Adie’s clientele has diverse origins: urban areas, sensitive areas, rural areas, etc. The association has a strong presence in the sensitive areas where 18% of the micro-entrepreneurs financed in 2005 were concentrated. Over a quarter of the clientele come from rural areas. Likewise, the gypsy population (who in France are mostly nomadic) represents 7% of the microenterprises financed and has been a specific and priority objective of the organisation for around the last ten years.

3.1.1.4. Contribution to microenterprise creation

1. Adie offers various financing options for people who have a project, but due to

their economic standing do not have access to the traditional sources of finance.

2. Adie aims its actions mainly at unemployed people or people who live on state subsidies. It also takes an interest in wage-earning workers who wish to top up their income by means of a self-employed activity and who, due to lack of resources and the absence of guarantors, do not have access to the traditional financial circles.
3. Thanks to its actions, Adie contributes to the development of self-employed and microenterprise activities. The microenterprises can take different legal forms: one-person businesses, public limited companies or sole proprietorship limited companies.
4. Likewise, the actions undertaken by Adie have resulted in improvements in the legal and regulatory framework for microcredits and self-employed work at both national and European level.

3.1.1.5. Main Results

1. Since 1989, 36,177 microenterprises have been financed by Adie representing around 6,000 new microenterprises financed each year, to a total value of 98.62 million euros in loans granted.
2. The survival rate for the microenterprise is 64% after 2 years and 54% after three years (a higher rate than the national average for one-person businesses).

3. In 2005 over 6,740 solidarity loans were granted, representing 5,891 companies created and around 7,069 new jobs. The number of active clients reached 13,375, to a total value of active loans of 31.57 million euros at 31 December 2005.

4. Adie's clientele has a very varied profile. More than 18% of the people financed by Adie are illiterate or can scarcely read, write and count. People with technical diplomas represented 40% of their clientele in 2005. However, having a diploma does not guarantee access to bank credit. In fact, 38% of people who Adie supported in 2005 have a secondary school certificate and 23% were of university level.

5. The percentage integrated into work⁷ of the people financed by Adie is 75%.

6. The cost of support per business is approximately 2,000 euros, with 1.2 jobs created per business financed.

7. The loan repayment rate in 2006 reached 93%.

8. At 31 December 2005, Adie had 22 regional offices, 110 satellites and 380 customer service bureaus enabling it to cover the whole of the country. At the end of 2005 the association had 308 employees and the help of 800 volunteers.

⁷ The proportion of people supported by Adie who are not now on state support.

3.1.1.6. Useful lessons

1. It is necessary to have mechanisms which can substitute for traditional banks to be able to offer those people who do not fulfil the classical financial requirements the necessary resources to carry out their projects.
2. The development of microcredit activities can only be carried out by signing agreements with several banks which take charge of contributing capital.
3. It must be possible to adapt the financing to the clientele in order to be able to respond to the needs of each one in the best way possible. To do this it is necessary to be able to offer various products depending on the target clientele.
4. It is important to be able to simplify the process of granting of the loans by basing this more on the client's personality and motivation than on the characteristics of the project.
5. More than financial services alone are needed for the success of a project. It is also necessary to have support and advisory services and these are essential to guarantee project viability.
6. For optimal coverage of the target clientele it is necessary to offer extensive national coverage and significant field work.
7. The importance of the volunteer network is that it allows the actions undertaken

by the association to be completed at a low cost, since what is offered is a professional monitoring and advisory service adapted to demand (advice on marketing, taxation, law, etc from professionals from each sector).

8. It is necessary to lobby national political authorities to enable the development of the legislative framework and adapt it to micro-entrepreneurs and microfinance organisations.

3.1.1.7. Recommendations

1. Access to sources of finance is essential for the creation of a self-employed activity or a microenterprise. This access needs to be simple, multiple and varied.
2. Alternative sources of finance need to be developed. These must respect the legal framework and respond to the real and specific needs so that those people can have access to business activities.
3. It is important for the existing structures which can participate in the development of microenterprise activity to have access to the funds necessary for carrying out their activities. As such it is necessary for the microfinance organisations to have funds available to loan as well as the necessary financing to guarantee the viability of these activities over the long term.
4. The proper operation of the organisations specialised in microfinancing depends to a great degree on the existence of a fa-

avourable legal framework, above all as regards access to capital and the interest rates and that they have the objective of covering the organisation's fixed costs.

3.1.1.8. Keywords for the good practice

Support, advice, target public, solidarity credit, creation, development.

3.1.2. France Active - France

Guaranteeing of bank loans and acting as guarantor for business activities.

3.1.2.1. The organisation

The association France Active was created in 1988 under the patronage of Caisse des dépôts et Consignations' Fondation de France, the national agency for business creation, Crédit Co-opératif and Fondation MACIF, as well as that of various charitable organisations.

France Active's missions are decided by the associations which make it up and those which make the intervention of privileged partners possible: institutions, players for integration in the economy, banks and foundations.

France Active's missions centre on 7 main themes:

- The creation of new France Active Territorial Funds and the mobilisation of local players and financing.
- The design of programmes and projects at a national level and encouragement and technical support for the network.
- Mobilizing ethical savings and participation savings.
- Development of adapted financial tools.
- Extension of national agreements.

- Financial intervention through a network of correspondents.
- Communication.

After a period experimenting with the granting of honour loans in 1989/90, the association opted for developing a guarantee tool in 1991. The France Active Garantie (FAG) financial company was created in 1995 and has the backing of the Credit Establishment Committee. This financial society acts as guarantor for the sums loaned. With time, France Active has become a mediator between the banks and the entrepreneurs. It has signed numerous agreements with the main banks. France Active Garantie has gained broad recognition which allows it to influence the granting of loans to people in situations of difficulty.

France Active's territorial funds are platforms made up of partners. Their origins are in the involvement of local groups, State services, but also private economic concerns. They are autonomous legal structures bound together through a common charter and headed by the France Active association. This agency decides the orientation of the Funds. The decision making committee groups the local partners together with a France Active representative and has the necessary competence at the financial, economic and social levels. It takes financial decisions on the use of France Active's financial instruments.



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3.1.2.2. The good practice

Since its inception France Active has developed tools for financing with the aim of helping groups excluded from the labour market to create their own work, so that they have the chance to gain access to the various sources of finance. The association also similarly supports other associations and companies involved in the creation of lasting jobs in solidarity, or in the development of new services, since it considers that a collective project responds better to the needs of certain people with difficulties.

France Active's objective is not to create financing mechanisms outside the banking system reserved for the neediest people, but rather to fight against exclusion from the banking system through appropriate finance instruments. There are 5 instruments, adapted to the variety of individuals' financing needs and the organisations supported by France Active: Garantie, professional guarantee for temporary employment agencies, France Active Investment Company (SIFA - Société d'Investissement France Active), Contract for Associative Contribution (CAA from the French) and the Common Investment Fund for Work Insertion (FCP IE - Fonds Commun de Placement Insertion Emplois).

In order to contribute to lasting development, France Active continually provides capital through three routes:

- *France Active Investment Company (SIFA)*: created in 1991, this is a solidarity investment company which supports commercial companies and associations which are being set up or developing. It acts by

means of participative loans or current accounts as a partner.

- *Contract for Associative Contribution (CAA)*: implemented in 1999 with the help of Caisse des Dépôts, the contract for associative contribution is allocated to associations governed by the law of 1901, provided these act in the field of workplace integration through economic activities, develop new services or offer consolidation of employment for young people by means of a project which develops into a commercial activity.
- *Common Investment Fund for Work Insertion (FCP IE)*: developed in 1994 with the assistance of various union organisations, the FCP IE is a tool whose originality lies in its dual nature: it is socially responsible and a solidarity fund at the same time. So, 90% of the funds collected are invested in companies with employment policies which meet the agency Vigeo's⁸ criteria for viable development and socially responsible investment. Ten percent is invested in unlisted securities. France Active intervenes in this 10% and directs the investments made in this area toward companies or associations which participate in the reintegration of people from difficult situations.

Added to the services are various calls for financial tender made by the Territorial Funds affiliated to the France Active network. These calls for tender are commissioned by the State or local communities and other devices are involved which complement France Active's own tools. Among other possibilities, applications

⁸ Vigeo studies publicly available data on companies as well as that obtained from the company itself. Six sectors are analysed by means of 298 indicators and 38 responsibility criteria: customer/supply company relations, human rights, social commitment, the environment, company management and human resources.

can be made to France Active Territorial Funds within the Eden⁹ framework or for Business Creation Loans. Such a loan may have the France Active's bank loan guarantee.

Since 2005, France Active has also been responsible for the management of the Trust Funds, which is an experimental device from Caisse des Dépôts the objective of which is to permit the setting up of new social companies (work integration companies, sheltered workshop, etc) by existing social companies¹⁰.

3.1.2.3. Target public

1. Companies created by unemployed people or people in precarious economic situations.
2. Organisations for integration in the workplace through economic activities.
3. Solidarity companies¹¹ (associations or companies) which create or consolidate jobs, in particular for people in precarious situations: adapted companies, companies in difficulties which have been recovered by the employees, socially useful companies, etc.

3.1.2.4. Contribution to microenterprise creation

1. The objective of the guarantee granted by France Active is to fight against banking exclusion. It allows unemployed people or those in precarious economic situations who want to start their own

business, organisations for integration in the workplace through economic activities and solidarity companies to gain access to bank credit.

2. Each dossier presented to France Active or to one of its territorial funds is subjected to a thorough evaluation. All micro-entrepreneurs can have access to advice and assistance from financial or legal specialists.
3. Micro-entrepreneurs can make use of the necessary tools for creation of their business, at a financial level or for support or advice.

3.1.2.5. Main Results

1. France Active and its Territorial Funds have participated in the creation or consolidation of 64,024 jobs since 1988. These jobs are divided as follows: 41% in micro-entrepreneurs and 59% in solidarity companies and socially useful associations.
2. In 2005 the France Active network met 17,719 entrepreneurs, analysed 6,486 projects, implemented 3,868 calls for financial tenders and created or consolidated 9,951 jobs, of which 53% were taken by people in precarious positions. These figures represent an increase of 43% in the creation/consolidation of jobs compared to 2004. In general between 77 and 80% of the companies supported by France Active exist for more than 5 years.

⁹ An honour loan is a medium term credit of between 2 to 5 years which is granted directly to the entrepreneur or the person who opts for a transfer (and not to the business created in which case it would be a repayable advance). No guarantee is requested, either personal or real (from which comes the expression "honour").

¹⁰ The objective of social companies is the integration into the labour market of people in precarious situations, as well as offering goods and services. Genuine social companies base themselves in the local environment to improve both their economic and social performance. Their mode of operation varies from one country to another and their objectives are different to the solidarity companies, although their philosophies are similar.

¹¹ Consider as solidarity companies are those companies which are not listed on the stock exchange, which may have a constitution like that of a cooperative, friendly society, association or company whose leaders are directly or indirectly elected by the employees, affiliated member or partners.

3. In 2005, 4,064 jobs were created or consolidated by autonomous entrepreneurs (microenterprises) and 5,887 jobs were created or consolidated within solidarity companies.
4. France Active is a network of associates currently made up of 40 Territorial Funds. These Funds intervene at a regional, departmental or inter-community level. This coverage is synonymous with closeness to the entrepreneurs. France Active had 260 employees and 600 volunteers at 31 December 2005.
5. By serving as a guarantor to the banks, France Active helps to reintegrate people in precarious situations into the banking circles. Without this support these people would remain excluded from the traditional financial system.

3.1.2.6. Useful lessons

1. The fight against social and financial exclusion also depends on the integration of the entrepreneurs into the classical banking circles. Having a guarantor when you want to start a business is a good way of being able to gain access to the traditional financial circles.
2. Needs for finance are not the same for everyone and vary according to the particular part of the project lifecycle. It is, therefore, important to have tools available which are adapted to every need and situation.

3.1.2.7. Recommendations

1. Some entrepreneurs cannot get access to microcredit at all times because their needs for financing exceed the limits of the microfinance organisations. Therefore, the existence of a guarantor organisation allows them to gain access to bank credit without which their project would not be able to go ahead.
2. The existence of guarantee organisations which also take charge of monitoring and offering advisory services to entrepreneurs enables the development of the entrepreneurial spirit. It also reintegrates micro-entrepreneurs into banking circles with the possibility of getting easier access to the funds needed for their future development.
3. Entrepreneurs have a wide range of financial products available to them which not only allow them to start up their business but also to gain access to the traditional financial circles.
4. The integration organisations responsible for supporting people who are excluded from the system have France Active's support, making their actions easier and reinforcing their mission.

3.1.2.8. Keywords for the good practice

Guarantee, guarantors, reintegration into the traditional banking system, mediation, development of adapted financial tools.

3.1.3. Fundació Un Sol Món - Spain

Financing and follow up for micro-entrepreneurs through a network of partners.

3.1.3.1. The organisation

Fundació Un Sol Món is an organisation created by Caixa Catalunya in February 2000 within the framework of its social work, with the objective of re-establishing the original social mission of the savings banks and being able to help less privileged communities and the most socially excluded.

Fundació Un Sol Món was the first Spanish organisation to implement a microcredit programme within the framework of the activities of the financial group it is linked to. The foundation's objectives are as follows:

- To promote projects which benefit groups at risk of social exclusion. To do this the foundation supports new social economy companies which associate the integration of people in precarious situations with profitable activities.
- To offer technical and financial support for participation in the development of third world countries.
- To make people aware of situations of poverty, marginalisation and social exclusion and injustice.

3.1.3.2. The good practice

The Fundació Un Sol Món programme for microcredit as a tool for the advancement of employment supports activities capable of generating income and providing stable work for entrepreneurs, individuals or groups, who do not have the necessary guarantees or guarantors to gain access to traditional bank credit. Its main base is Catalonia. People who apply for a microcredit have a business project or own a small business, but also have financial needs. The aim in granting microcredits is for the people who want to set up their own business or expand an existing business to be able to buy merchandise, renovate premises and/or buy adapted machinery. The projects must be economically viable and respect the environment. The entrepreneur must personally commit him- or herself to the project.

Entrepreneurs must satisfy the following conditions to obtain a microcredit:

- Not have a guarantee or guarantor.
- The business must be able to provide the micro-entrepreneurs with professional stability.
- It is essential for the entrepreneurs to be personally committed to the project.
- Three people must support the project.

The sum granted will depend on the entrepreneur's capacity to repay.



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Fundació Un Sol Món works in collaboration with a network of social entities charged with following up with entrepreneurs. This network is essential for the carrying out of the foundation's microcredit activities. Its entities are responsible for supporting the entrepreneurs not just at the level of preparing the Business Plan for the project and preparing the dossier to be presented to the credit committee responsible for granting the loan, but also for monitoring and supporting the entrepreneur throughout the implementation of their project.

On the other hand, the specific nature of the foundation in Spain lies in the fact that it does not only provide economic support to entrepreneurs, but also offers financial help to the network of social entities with which it works. Without this aid many of the support organisations would not be capable of carrying out the support mission they have been charged with.

3.1.3.3. Target public

The foundation's target population are the individuals or groups who do not have the necessary guarantees or references to be able to gain access to traditional bank credits.

3.1.3.4. Contribution to microenterprise creation

1. The foundation offers financial services to people excluded from the traditional financial system since they do not have the sufficient guarantees or guarantors.

2. In addition to financial support, the foundation offers entrepreneurs assistance and support services through its network of partners. The purpose of this is to help them through the different stages of their project after its launch.
3. The foundation offers financial support to the members of its network of social entities so that these can provide appropriate advisory and support services to the entrepreneurs they are assisting.

3.1.3.5. Main Results

1. From its creation in 2001 until 31 December 2006, the foundation granted 1,008 microcredits, the majority of these to entrepreneurs.
2. Over 2,500 jobs have been created by means of the microcredits and help has been given to 150 people employed by professional integration organisations (organisations whose objective is to help individuals get into work). The total volume of the loans granted is €9,145,375, at an average of €7,400 per loan.
3. The foundation has to date signed over 100 agreements with social organisations in the whole of Spain through its XESMIC (Network of microcredit support entities - Xarxa d'Entitats de Suport al Microcredit) network.

3.1.3.6. Useful lessons

1. The people at risk of financial exclusion are those who have no guarantor or guarantee. It is, therefore, essential to have specially developed services for these groups with the aim of enabling them to carry out their project and re-enter the traditional banking circles.
2. When the banks enter the microfinance sector they fulfil a dual mission: social; since they allow financially excluded people to gain access to finance, and commercial; since the entrepreneurs represent a potential clientele who they will be able to make loyal by means of the services offered in their microfinance framework. Savings Banks are, therefore, in an advantageous position as their specific statute allows them to combine their social calling with economic interest.
3. In order to achieve results in microcredit activity, it is important to have an effective, professional network which can take charge of the stages before and after the loan. To be efficient this network needs to have sufficient resources available. From this comes the additional need to contribute financial assistance to the social entities with which you work and which are responsible for following up with and supporting the micro-entrepreneurs.

3.1.3.7. Recommendations

1. People who do not have sufficient guarantees do not have access to the traditional banking sector, above all with regard to applying for loans to put their projects into effect. This limitation is an obvious brake on the entrepreneurial spirit of micro-entrepreneurs in a situation of financial exclusion.
2. Providing financial aid is not sufficient if this is not accompanied by the assistance and support tools necessary to design a viable project. Hence, it is necessary to complement the financial tools with adapted support tools.
3. Having a network of partners close to a specific clientele is an essential element for sound development of microcredit activity. However, if the network does not have sufficient resources to carry out its mission, this common work will not yield results. Therefore, it is necessary for the network to have the necessary financial resources to carry out the work it has been entrusted with.

3.1.3.8. Keywords for the good practice

Integration, invigoration of local economic activity, creation and development, social entities, network.



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3.1.4. Weetu - United Kingdom

Group loans and support for business start up projects through a programme aimed at women.

3.1.4.1. The organisation

WEETU was set up in 1987 in Norwich (England), through the initiative of a group of women, as a not-for-profit independent organisation with the aim of fighting against the exclusion of women from traditional banking and finance circles and so enabling them to bring their projects for setting up businesses to fruition.

The organisation works with the main local partners to provide a broad range of services, such as information, advice, training and financial assistance, to over 2,000 women each year.

The organisation has developed several programmes to this end:

- STEPS (Steps Towards Employment and Practical Skills) - individual and group advice, personal development courses, advice in CV writing, skills development courses including a dedicated programme targeted on North Norfolk through the “Cromer Learning for Life” project (CL4L).
- FULL CIRCLE is a developed microcredit programme based on: loans from or to groups, advice for access to setting up

businesses, training, lending circles and business loans. This is a specific “New Deal for Communities” programme for the Norwich region, the objective of which is to encourage people who work with children to group together in the form of an association. The programme started in 1998 with the support of Norwich City Council and is aimed at women excluded from the traditional sources of finance. Each “circle” is made up of a certain number of women who act as guarantors for each other in that loans are granted in turn. Therefore, the granting of a loan to the next person depends on the repayment of the previous loan.

- FULL CREDIT is a tool designed for specialised organisations for them to support business creation in their communities and is made up of teaching materials, training courses, support services and specialised advice. The tool was developed from the Full Circle programme which has been recognised nationally as a model of good practice and the “Full Credit” licence has recently become available. Four licences have been sold to date to partners located in Merseyside, Lewisham and Stevenage and the Development Agency for the East Midlands. This assists in the large scale promotion of this pioneering initiative and expands the impact of WEETU’s activities beyond the local area at the same time as increasing WEETU’s profile at a national level.

3.1.4.2. The good practice

The organisation's main objective is to help women, particularly those in a precarious situation, to improve their economic situation and make it possible for them to access the labour market. To do this they implement qualitative services which have the aim of helping them find work or to set up their own business. This is why the services WEETU offers are designed to respond to the needs of women and help them overcome the difficulties they have to face.

So it is that WEETU offers group loans - an adapted credit which enables a small group of applicants to act as guarantors for their own credit, without needing to resort to external guarantors. This type of action helps to promote trust, reciprocity and information as well as the associated promotion of local networks. Group loans prevent the women becoming isolated and increase the entrepreneurs' chances of success. The tool has been tested and has shown its effectiveness.

Why a group loan?

Lack of capital is not the only problem. Isolation, lack of confidence, lack of knowledge of the business world all reduce the chances of women maximising their opportunities. The group loan is an ideal framework for supporting a larger numbers of micro-entrepreneurs in their first five years of business activity. On the other hand, when it comes to group loans, each group member acts as guarantor for the other members. The group plays the role of applying peer pressure to the person who has been gran-

ted the loan. The next person can only obtain a loan if the previous person's loan has been fully repaid. In this way the group acts with solidarity as a self-controlling entity.

The group also plays a social role since in the isolated areas the group enables each of the members to develop bonds with the others. This is the way in which this interaction can go beyond the purely financial.

3.1.4.3. Target public

WEETU supports women in Norfolk and Waveney. It gives priority to those in particularly precarious situations, whether this is for physical, mental, social or economic reasons.

3.1.4.4. Contribution to microenterprise creation

1. WEETU enables women to improve their economic situation and contributes to them gaining access to the labour market, particularly those with low incomes who are, therefore, in precarious social situations.
2. WEETU helps its clients develop entrepreneurial skills with the training it offers as, in addition to the lack of the necessary financial capacity, they also lack knowledge in the business area and this is a major brake on the implementation of their projects.
3. Women who belong to a group feel reassured by the company, so increasing their

capacity to bring their projects to fruition. By having the moral guarantee of the other group members, they can gain access to a loan which the banks would not grant them.

3.1.4.5. Main Results

At the end of the training offered by WEETU:

- 88% of the participants feel they have confidence in the future, compared to 68% when starting the training.
- 100% indicated that they had confidence when negotiating with banks, compared to 54% at the beginning.
- 85% stated that they had control over their lives, compared to 62% at the beginning.
- 78% of women said they had more self-confidence, compared to 52% when they started the training.
- 60% felt more secure and positive, as against 17% at the start.

Data on the Full Circle Programme:

- The companies supported by WEETU represent a turnover of 3.5 million pounds (around 5.1 million euros).
- The Full Circle programme started 6 years ago and until now has counselled over 500 women.

- The initial value of the loans granted is approximately 1,500 pounds (around 2,200 euros) with a second loan of approximately 2,500 pounds (around 3,700 euros).

- 76% of the microenterprises set up in 2001 continue in business.

- The repayment rate for the loans is 96%.

- 90% of the companies financed have a turnover which reaches 25,000 pounds (around 37,000 euros).

- 9.3% of new WEETU clients use Adult Education services as a result of taking part in the Full Circle programme.

- When they started the programme, 58% of the participants were on state benefits, 27% had unstable employment, 15% had no wage or were unemployed and 10% were disabled or off work due to sickness.

In addition, WEETU's evaluations show that the people who participate in the programme have greater self-confidence and hence have more chance of taking advantage of adult education. They are also more active members of their communities. It can also be said that they take more care of their health and have greater ambition for their children.

3.1.4.6. Useful lessons

1. In the framework of a project for setting up businesses, financing is not the only

important element which needs to be taken into account. Lack of self-confidence, the lack of specific knowledge and isolation are factors which need to be considered in order to ensure the success of the project.

2. The success of the project lies in the fact that the group loan creates moral obligations between the various members taking part in it. As the granting of the loan is conditional on the repayment of the previous one by the other members of the group, the risk of non-payment is very low.
3. On setting up groups which continue to exist while the loan circle has not closed, relationships are created between the members which help to reduce the women's isolation, particularly in the remoter areas. This brings assistance and support between the members which goes beyond the financing of the project and keeps the circle participants motivated. The result is a high level of success in the projects.
4. Programmes targeted at women benefit the whole community as the women gain self-confidence, develop their knowledge and increase income to the home.

3.1.4.7. Recommendations

1. The task for the loans is twofold: making it possible to get guarantors to obtain a loan and contributing to a reduction in isolation, above all in the remotest areas.
2. The loans are subject to prior training which enables the project to be evaluated and the necessary basic skills to be acquired for its implementation.
3. Among other things, compulsory training allows the members of the circles to gain in self-confidence, which has a positive and revitalising effect when preparing to implement the project.

3.1.4.8. Keywords for the good practice

Group loan, support for women in precarious situations, information, reduction of isolation, confidence, training, financing, support.

3.2. Monitoring and support

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3.2.1. Barcelona Activa - Spain

The creation of the *Centro para la Iniciativa Emprendedora Glòries* (Glòries Centre for Entrepreneurial Initiative) as a space for Barcelona's entrepreneurs. This is based on a mixed model for attending to entrepreneurs, combining the use of online resources, the organisation of activities requiring attendance and business advice.

3.2.1.1. The organisation

Barcelona Activa is the local development agency of Barcelona City Council. It has dedicated itself to economic development, the creation of employment, support for innovation and promotion of entrepreneurial initiative since 1986.

Barcelona Activa's mission is to promote employment and quality companies with a feel for the future. In line with this mission, the agency develops its programmes from seven lines of activity brought together in its 2004-7 Action Plan: promotion of entrepreneurial initiative; consolidation of recently set up businesses; access, inclusion and improvement of employment; training and improving competitiveness; new opportunities for employment; technology training and communication; and the promotion of innovation.

Barcelona Activa has a clear calling of service to the people and anticipation of change. It designs a broad and diverse set of programs with innovation and quality, which it then pre-

sents to the different competent bodies (regional and national government or the European Union) to obtain funds which, with joint financing from the Barcelona City Council, allow it to carry out these programmes to the benefit of people and society as a whole. To achieve this, Barcelona Activa bases its action on coordination, agreement and cooperation.

The objectives of the seven lines of activity into which Barcelona Activa is organised are as follows:

1. *Promotion of entrepreneurial initiative:* to spread entrepreneurial initiative and to make the step between business idea and setting up the business easier for entrepreneurs.
2. *Consolidation of recently set up businesses:* to make the future easier for recently created businesses by generating networks for cooperation and contributing to improvements in their competitiveness.
3. *Access, inclusion and improvement of employment:* to adapt the professional profiles of the people seeking work or who wish to improve their jobs and to contribute to the inclusion in the labour market of those groups with greater difficulties, all in response to the needs of businesses.
4. *Training and improving competitiveness:* to improve professional skills and competences and adapt to the new requirements of the knowledge society.
5. *New opportunities for employment:* to expand the professional opportunities

that the new work cultures, new occupations and emerging economic sectors entail.

6. *Technology communication and training*: to convert the new technologies and their applications into professional development instruments for people and businesses.
7. *Promotion of innovation*: to make innovation the engine in the generation of initiatives and talent in Barcelona.

Barcelona Activa has a network of six specialised facilities in which its broad range of programmes are carried out.

3.2.1.2. The good practice

Barcelona Activa has created the *Centro para la Iniciativa Emprendedora Glòries* (Glòries Centre for Entrepreneurial Initiative) as a facility with the objective of providing Barcelona's entrepreneurs with a space where they can autonomously build their own business by having easy access to all the information necessary for the preparation of their business plan, as well the ideal conditions for starting up the business.

In Barcelona Activa's Centre for Entrepreneurial Initiative attention to entrepreneurs is based on a *mixed services model* which is arranged according to the three sides of a triangle: online content for business creation; activities for acquiring entrepreneurial know-how or skills and advice from technical staff expert in setting up businesses. The combination of these

three types of services enables the entrepreneurs to autonomously develop their own itinerary for setting up their business.

The entrepreneur is the person who is at the centre at all times and chooses what is most suitable for them: use the contents, take advice or participate in the various activities.

To access the Centre the entrepreneurs need only take part in an initial informative session "*Emprender con Barcelona Activa es fácil*" (Starting up is easy with Barcelona Activa). At this, apart from learning about all the steps necessary to set up a business in Barcelona, the entrepreneur leaves their details to become an accredited user. There are welcome sessions at different times every day of the week. No more than 48 hours passes between the time when the entrepreneur registers their interest in participating and them taking part in the initial session.

All the digital content is to be found through the web portal for entrepreneurs *Barcelonactiva.com* and is accessible over the Internet. The web portal for entrepreneurs has all the information and know-how necessary for working on the idea and analysing its viability for conversion into a business, as well as a series of applications to help evaluate the business idea (*Test-Idea*), create a Business Plan online and evaluate entrepreneurial competences (*The keys to entrepreneurship*).

The Centre's programme of activities is structured around five main types of activity:

- Know-how packages "All you lack to start up" and "Get started".

- Knowledge weeks for entrepreneurs.
- Business plan workshops.
- Training courses.
- Customised programmes.

There are groups which for various reasons do not have the same opportunities as the majority and need special attention which enables them to achieve the same results. The Centre designs and runs customised programmes directed at groups with particular difficulties of social or work integration. From immigrant entrepreneurs who are unaware of the local ways in setting up, to people over 45 who have been excluded from the job market and have a new opportunity in self-employment or the creating a business, to women with family responsibilities who need greater support to achieve their professional goals.

The same applies to sectors of economic activity which merit special attention from the administration. Hence, Barcelona Activa selects economic sectors with ample growth potential and of a strategic nature for the city and designs and runs customised programmes. Entrepreneurs wishing to set up businesses in these sectors then have all the resources available to make their business idea into a success.

Personalised advice is the third of the pillars on which the Centre for entrepreneurial initiative is founded. It is a high value added complement to the programme of activities and the digital content.

The Centre's advisor acts as a facilitator of resources, content and knowledge. The advisor is a fundamental figure in the Centre since his or her function is not only to give advice personally, but also to create digital content and animate sessions.

There is also the *evaluation service for business start ups*. *Entrepreneurs with a completed business plan* can request this service to receive an expert opinion evaluating their project's strong and weak points, as well as giving recommendations or steering them to other services of interest for the business start up.

3.2.1.3. Target public

The services for entrepreneurs designed and run by Barcelona Activa are aimed at all those people who wish to set up their own business. As it is a local body, the users must be people who live in the city of Barcelona or wish to set up their business in the city and pay their local taxes there. The customised programmes are always targeted at a specific public (women, immigrants, people over 45, etc.) or at a specific activity sector (services to people, to companies, media, biotechnology, etc).

3.2.1.4. Contribution to microenterprise creation

1. The mixed model of attention to entrepreneurs (online and attendance based) allows quality attention to be given to large numbers of participants. The organisation of daily activities and, above all, the content for business setting up put

on the web multiply the centre's capacity to attend to people.

2. This model of attention encourages autonomy and responsibility in the entrepreneur from the outset. It is the entrepreneur him- or herself who decides and prioritises the resources and time that he or she wishes to dedicate to the validation of the idea, creating their own itinerary.
3. By designing programmes specifically intended for groups that have difficulties accessing the normal sources of support for creating businesses, it is possible to guarantee that nobody is excluded from the services that the centre offers.
4. With the objective of having all the information and contacts necessary to help start new businesses, particularly with regard to finding financing, Barcelona Activa works in cooperation with all the bodies, government offices and institutions that work in Barcelona and have resources and programmes for aspiring entrepreneurs.

3.2.1.5. Main results

1. In 2006, Barcelona Activa had a total of 39,260 participants in different programmes run by the centre using this model of providing services to people starting up businesses. These figures confirm the good practice that this innovative model generates, as it guarantees responsive-

ness in the service it provides, with less bureaucracy and the elimination of waiting times.

2. Throughout 2006, the expert team of specialists at Barcelona Activa gave advice on 1,182 company start-up projects, instigated by a total of 1,500 entrepreneurs. It is particularly noticeable that 47% of these were women. In terms of sectors, 17% of the projects were in the service sector, 16% in the commercial sector, 11% related to the new information technologies, and 11% were in the hotel and catering sector.
3. By the end of 2006 the virtual community of entrepreneurs Barcelona Netactiva had 22,654 members and had had more than 6 million hits. Two new applications were added to the website: the On Line Company Plan and the Test-Idea for evaluating the entrepreneur's business idea.
4. During 2006 4 different made-to-measure programmes were devised for the creation and management of companies: a programme for unemployed people with 3 editions, the programme Crea (Create) for women entrepreneurs, the programme Ideas Maduras (Mature Ideas) for entrepreneurs over the age of 40, and the Equal programme "Barcelona Emprande en Igualdad" (Barcelona starts businesses with equality). In total 137 people benefited from these programmes.

3.2.1.6. Useful lessons

1. Being an entrepreneur is a role that can be learnt, therefore the spirit of entrepreneurship has to be developed by public bodies at the different stages of people's learning to guarantee there are more opportunities for professional and personal development.
2. It is entrepreneurs, with their capacity for innovation, that make cities advance, creating employment and opportunities for a better quality of life and greater social cohesion.
3. The mixed model (attendance in person combined with virtual presence) makes it possible to transform our internal organisation by means of a knowledge management system and to radically alter the model Barcelona Activa uses for the provision of services, thereby enabling it to reach many more users and do so with a greater guarantee of quality in the service provided.

3.2.1.7. Recommendations

1. Stimulating and supporting entrepreneurial initiative is a priority, so that people with ideas, irrespective of age, training, experience or personal circumstances can start businesses with a guarantee of success, and for this it is necessary to provide them with the instruments that make this possible, by creating reference points.

2. These points of reference must always be aimed at satisfying the needs of entrepreneurs and facilitating their work, fostering their personal independence. They should be fully up-to-date in terms of content and knowledge and provide an integrated service that covers the whole process from the initial idea to the creation of the company.
3. The organisation of activities involving attendance by entrepreneurs at the centre must be based on responding to their needs and offering them answers to their questions through interesting input that combines highly specialised sessions with more general sessions. Sessions should offer up-to-date themes and the points of view of people with recognised professional prestige.
4. Advice by specialist staff added to the programme of activities and the digital content is highly valuable. These specialist staff must act as facilitators of resources, content and knowledge.
5. As well as being fully up-to-date, a portal for entrepreneurs must be an essential element to help them on their way, assisting them in overcoming obstacles to setting up their businesses.

3.2.1.8. Best practice key words

A centre for entrepreneurial initiative, a mixed model of services for entrepreneurs, made-to-measure programmes, online content, attendance based activities.

3.2.2. APCE - France

An advice, guidance and information tool at the service of entrepreneurs.

3.2.2.1. The organisation

The APCE (Agence pour la Création d'Entreprises - the Agency for the Creation of Enterprises) is an association governed by the 1901 Law of Associations.

It is responsible for fostering the entrepreneurial spirit in France by promoting the creation, set up and development of new companies. It carries out monitoring on behalf of the French government and is a source of proposals for them, taking into account the international and European situation. It seeks and develops new products and services (modern means of communication to improve the supply of information to entrepreneurs and the advisers that work with them, training modules for internet users, manuals on business methods and practical guides, files on technical information etc). It carries out a census of the national, regional and local support that there is for the creation of businesses and makes it available to everyone in the business world. And finally, it disseminates its experience and supports the activities of its partners in public administration offices, local and regional government organisations, consular offices and socio-professional bodies.

The APCE was created in 1996 through the initiative of the public administration and works in the area of providing help for the creation of new companies:

1. As an agency providing information through its website, its publications and its practical files. The association has a triple mission: it promotes business start-up skills, provides information about measures that foster the creation of new companies and the resources that exist at a national and local level, and provides advice and guidance for entrepreneurs in relation to administrative procedures.
2. As an organisation for providing specialist support for the entrepreneur support networks and for government bodies, with the objective of providing them with training as well as the tools necessary for their business activities.
3. To keep up-to-date with the development of the business start-up process, carry out statistical studies and draw up reports by economic sector and type of employee, and quantify expectations and needs in terms of supporting business start-ups. These reports are available for those seeking information about a specific business sector, about the possible support available, etc.

The APCE is supported by of a team of 45 people and has signed agreements with more than 5,000 professionals throughout France from chambers of commerce and industry, organisations for particular trades and crafts, local initiative groups, private networks, networks of associations, entrepreneur clubs, etc. 70% of its budget is financed by the state and 30% is financed out of its own resources through such activities as the provision of training or the online sale of documents. Recently



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it has widened its field of activities to be able to offer services concerning the transfer of ownership of companies, with a section on its website dedicated exclusively to this issue.

The aim of both APCE and its members is:

1. To fully inform those interested and do so in real time, according to their needs.
2. Ogive guidance regarding support networks and financial help.
3. Oenable people to carry out entrepreneurial projects.

3.2.2.2. Best practice

APCE is, above all, a tool aimed at those who wish to create their own businesses and do not know how to go about it. The Agency considers all the stages in the creation of a business and provides a list of available help and organisations on their website. Initially, they offer guidance people in such a way that makes them analyse their project, using a specific methodology so that they do not miss out any important stages when they set about implementing their ideas. For each one of these stages, APCE provides exhaustive information about the questions that one has to ask oneself and about the administrative procedures necessary. Then it offers sector studies with the aim of helping the entrepreneurs with their market research.

The microentrepreneur can also develop his project online: evaluate his knowledge, be guided on the best legal status for his future business, plan the various stages in the creation

of the company, keep a note of useful contacts, put selected documents on the APCE website, draw up the project (company plan) and prepare the administrative procedures relating to the creation of the company. This service is completely free. In short, the APCE website brings together in one place all the information necessary for the creation of a company.

In addition, the website provides a list of contacts that can help the entrepreneur during the different phases of the project. The website is available in four languages (French, English, Spanish and German) so users can obtain information not only about how to settle in France but also information about other countries, both in Europe and in other continents. However, the English, Spanish and German versions only have information about how to create a business in France (the administrative processes, online business plan, etc).

As well as these services, APCE has training content and an area reserved for professionals. This area is aimed at consultants and professionals responsible for informing, guiding and training entrepreneurs or people who opt to take over existing businesses. Useful documents can be found on the site, such as:

1. 240 “Memo files”: files about the law, taxation, social security, administrative and financial procedures, innovation, the protection of invention copyright, etc.
2. 140 “Professional files”: about how to create a company in a specific field, with a definition of the profession, the occupation and the corresponding market, the position of the entrepreneur within the

sector, the means of production, management and financing, the position regarding the law and taxation, and all addresses relating to the particular professional field.

3. Regulated activities
4. The principal texts on the law, taxation and the social security system.
5. The calendar of different activities, fairs and competitions for entrepreneurs.
6. 130 teaching presentations to be used in fostering an entrepreneurial culture
7. A large number of technical files, case studies, statistics and bibliographical references.
8. Methods and tools for local economic development: about how to create a start-up nursery, a risk capital company or a guarantee fund, how to run a publicity campaign, training models, initiatives for supporting the creation of companies, etc.

Access to this space is reserved. Enrolment and a personal access password are required. The registration is valid for a year once you obtain the password. The enrolment fee is 350 euros a year.

It must be stressed that the information aimed at entrepreneurs is free, except for the documents on sale on the website.

3.2.2.3. Target Public

The services offered by APCE are aimed at people who wish to set up their own business, both in France and abroad, as the website also offers information about other countries. However, the data on other countries is still generic. These services are also aimed at professionals who have to work with entrepreneurs or people who opt to take over an existing business.

3.2.2.4. Contribution to the creation of microenterprises

1. The APCE website is an easy to use tool that brings together all the information necessary for the creation of a company and for taking over an existing company. As a consequence the necessary steps to draw up the project are much easier, as the internaut can access the data he is looking for in a matter of minutes.
2. APCE helps microentrepreneurs throughout the different phases of their project, enabling them, amongst other things, to draw up their business plan on line, as well as draw up their action plan, all by using one single tool.
3. The entrepreneur has access on line to sector data as well as to the contacts necessary to extend their search.
4. As it addresses both entrepreneurs and professionals responsible for working with them, APCE has the capacity to pro-

vide company advisers with the tools and training most suited to the entrepreneurs' needs.

3.2.2.5. Main results

1. In 2005, APCE received more than 10 million hits on its website. It handled more than 25,000 enquiries from internautes, assessed some 65,000 business plans on line, which represented a quarter of the annual business creation in France, disseminated more than 50,000 sector studies and practical files and gave more than 9,000 hours of training to professionals responsible for working with entrepreneurs.
2. At the start of 2006, APCE's financial situation was assured, with the number of visits reaching record levels, having increased by 23.5% compared with the same period for the previous year (1,063 million visits in January 2006). The dissemination of publications increased by 250% and new technical cooperation has been developed with state services and financial organisations involved in the process of helping create businesses.
3. The mission that the Minister for SMEs entrusted to APCE extends its field of action and sets its operating objectives for three years. This mission is part of a formal agreement signed by the Minister and the agency. This agreement grants the agency new resources with which to carry out its traditional mission, develop its website, increase its stock of documents, its publications and its range of training.

3.2.2.6. Useful lessons

1. The existence of a tool that is easy to use, free, and complete has a positive impact on entrepreneurs as it encourages them to continue with their company project. When the information is spread across a large number of sources and there are many points of contact, the entrepreneur can become demotivated and end up abandoning his project.
2. Entrepreneurs have access to all the information they need for the creation of a business, free of charge. In addition to saving time they save money, which is important for people with few resources.
3. The entrepreneur can test the viability of his project on line and receive professional advice. In this way, he can quickly see if it is possible to carry out his project or if he needs to modify it. The creation of a company no longer seems a possibility only within the reach of people with knowledge of business.

3.2.2.7. Recommendations

1. It is important that entrepreneurs have easy, free and rapid access to the information necessary to be able to develop their project.
2. Entrepreneurial activity is a complex process in the majority of countries. Therefore the existence of a tool that is easy to use, as in the case of a website, helps to reduce the fear associated with star-

ting up a new business or taking over an existing business.

3. It is not always easy to know who to deal with in the field of new business start-up. It is because of this that it is important to be able to easily access the list of different agencies involved that the entrepreneurs have to be in contact with.
4. Similarly, entrepreneurs can be held up by stages they see as beyond their capability such as drawing up a business plan. By being able to draw up their business plan on line, with a clear outline of the different steps to be followed, it is possible to demystify this process which is an essential step in creating a new business and it therefore fosters entrepreneurial capability. The fact that the services are free is an additional positive factor.

3.2.2.8. Best practice key words

Online tools, searching for information, stages in business creation, training, sector information, online services, online evaluation, professional advice.

3.2.3. Firmenhilfe hotline - Germany

Telephone advice for new companies, which helps reduce instances of new businesses falling behind with their loan payments.

3.2.3.1. The organisation

EVERS & JUNG offers both research services and advice in the field of financial services. Their activity is based on a philosophy that consists of using financial services to resolve problems in an intelligent manner. The organisation concentrates on the commercial banks and more specifically on bank products and advice, the financing of small businesses and socially useful financial services. Microcredit is one of the principal areas of EVERS & JUNG's work.

For questions relating to microcredit and the support of SMEs, the German organisation works with KfW Bankengruppe and with German microcredit organisations. They give priority to improving the results and performance of new businesses in Germany and Europe through the analysis of best practice that exists in the microfinancial sector at an international level.

The projects that E&J are carrying out at present are:

1. *Help for companies:* EVERS & JUNG administers a regional telephone helpline for microenterprises in crisis. Several hundred microentrepreneurs have benefited from this help since 2001.

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2. *Financial engineering for local development*: within the scope of a European Union project, EVERS & JUNG, together with five partner organisations, have sought better ways of implementing the European Structural Fund in local and regional development projects.

3. *The future of SME financing*; EVERS & JUNG have carried out a strategy project on behalf of a regional German investment bank, in the process of privatisation. This project highlighted the potential role of a public body in the field of providing support to SMEs.

4. *Development options for a regional microfinance cooperative*: EVERS & JUNG have drawn up a strategy for a microloans organisation, based on best practice internationally.

- Training in sales, marketing and cash flow forecasting.
- A three monthly appraisal of the state of the company, the coverage of the business, the budgetary forecast and its liquidity.
- Agreement regarding the objectives for the next three months.
- Advice and support for acquiring machinery and merchandise.
- The development of information leaflets.
- Access to a support information database.
- Access to training workshops by means of Minicontrol computing software.

3.2.3.2. Best practice

The TeleCoaching initiative (advice and guidance by telephone) offers a telephone advisory service for companies after they have been set up and for entrepreneurs setting up a business. It is currently available in Hamburg, financed by the town council, and it has been offered to all those people who have asked for a loan through the council's microloans programme.

Within this initiative, professionals and entrepreneurs talk by phone every three months. The specific nature of the support offered is as follows:

The objective of the programme is to help to reduce the extent to which new businesses fall behind with their loan repayments. The idea is that frequent monitoring, every three months, will make the timely identification of problems that could affect the survival of the businesses possible, before they are impossible to control.

3.2.3.3. Target Public

The programme gives support to people who request a loan from the Hamburg City Council. This programme is aimed at unemployed people who wish to create their own businesses. The clients then are people who find themselves in a precarious financial position and who generally have a low level of training. There

are more people from abroad using the service than there are of German origin.

3.2.3.4. Contribution to the creation of microenterprises

1. Telecoaching has helped improve the results of microentrepreneurs who participate in the programme, and therefore improve their ability to pay back their loans. However, the programme has not been in existence for long enough for the statistics to be representative of the impact telecoaching has had on the extent to which new businesses fall behind with their loan repayments.
2. The programme has the support of Hamburg City Council because it offers a series of economic advantages to the city as well as contributing to an increase in the rate of repayment of the loans authorised from public funds.

3.2.3.5. Main results

1. EVERS & JUNG have made FIRMENHILFE an instrument for providing effective advice for the people for whom it is intended.
2. They have managed to develop an optimum methodology for providing specific advice.
3. FIRMENHILFE has helped fully in 56% of cases and partially in 38% of cases. In 74% of cases it has helped to consolidate the companies' funds.

4. It has managed to achieve significant changes in the behaviour and knowledge of entrepreneurs who have used this programme.

5. The programme has managed to reach its target audience. In January 2006, it advised more than 1,500 people. From December 2001 it has had more than 6,000 contacts. Two thirds called when they still had sufficient options to be able to avoid bankruptcy.

6. At present, the customer satisfaction rate is 90%, according to the results obtained by EVERS & JUNG who carried out a study of the level of customer satisfaction amongst the people who have participated in the programme.

3.2.3.6. Useful lessons

1. TeleCoaching is an effective method for reducing costs and increasing the extent of post-loan support to microentrepreneurs.
2. The cost of the TeleCoaching cannot be recuperated through interest rates. It can be a good investment for microlenders if it helps to reduce the extent to which new businesses fall behind with their loan repayments. However, only an organisation interested in the advantages of social and economic inclusion that result from a similar programme would be prepared to accept the cost of Telecoaching.

3. TeleCoaching provides a method for identifying the problems that can arise before they occur. When necessary an interview with the entrepreneur can be arranged.
4. Due to the fact that there are few face to face meetings, Telecoaching has to combine advanced business knowledge with a good ability to communicate and offer support by telephone. It is difficult and expensive to find such well qualified people.
5. TeleCoaching is most effective when it is combined with a series of computing tools and therefore most benefit is achieved in those areas where the target population make extensive use of the internet.

3.2.3.7. Recommendations

1. In Europe, there is an increasing awareness that a successful microfinance programme depends on support prior to and after providing a loan. The TeleCoaching programme offers this at a lower cost than a programme based on face to face meetings between advisors and clients.
2. Microcredit organisations benefit from the TeleCoaching programme, taking into account that it helps to reduce the extent to which new businesses fall behind with their loan repayments. However, the cost of this programme is relatively high as it requires sufficient trained staff to advise those who need help. Not all microlenders have the financial ability to take on the cost of this type of service.

The microcredit organisations and the politicians will have to discuss ways of financing this type of programme so that each one has the desired results.

3.2.3.8. Best practice key words

TeleCoaching, telephone advice and guidance, follow-up, business support advice.

3.2.4. Trans-Formando - Spain

A social cooperative specialising in management consultancy and in the development of training methodologies for self-employment.

3.2.4.1. The organisation

Trans-Formando S.Coop.Mad. is a not-for-profit social cooperative. It is the result of the work of a group of professionals from both large companies and from the small business area who, since 1998, have decided to work jointly on social issues.

Their identity is characterised by:

- Their professionalism: efficiency and effectiveness in their work.
- Their commitment: to working to transform society.

The philosophy of Trans-Formando (transforming through training) consists of working to “transform” in the full sense of the word, and doing this through training, through evaluation of the work done and involvement by providing advice and information.

3.2.4.2. Best practice

Within their training and guidance service, Trans-Formando provides different services, including the following:

1. The cooperative has signed an agreement with Fundació Un Sol Món with the aim of offering microcredits to people who do not have access to traditional banking and who wish to create their own business in the Madrid region. Within the scope of this activity, Trans-Formando plays the role of link between the entrepreneur and Fundació Un Sol Món and is responsible for providing support and following-up the entrepreneur.
2. Trans-Formando has also launched a project financed by Fundació Un Sol Món aimed at people who want to start a business without giving up their current paid employment. This project is called “Lanzadera” (Launcher) and is very innovative. It makes it possible for entrepreneurs to try out their business project without changing job or undertaking any administrative procedures in relation to the creation of a company. To make this possible Trans-Formando created a not-for-profit company and a communal work area.

“Lanzadera” offers legal cover for working in this way in order to invoice for products and services, and also has an advice service in relation to marketing, taxes, production, legal aspects and administrative procedures. Furthermore, it offers very small amounts of credit to carry out work or make small purchases. These services are completed with a space that can be used occasionally to meet clients or colleagues, undertake training for the management of the new company and receive guidance regarding



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the creation of their own company in the future. By taking responsibility for the administrative and legal aspects of the activities that are being put to the test, and thereby enabling the entrepreneurs to concentrate on their businesses, “Lanzadera” plays the role of “microcompany incubator”. The business has to be a secondary activity (that is to say, is carried out in parallel with a normal occupation) and must not require its own premises. The entrepreneurs can benefit from these services while they have “resources cheques” for a maximum of one year, after which they can either create their companies or continue to benefit from the support provided but paying the real cost of this.

3. Trans-Formando also offers a programme of *assisted management* that consists of providing tutoring in relation to a business project that includes their involvement in the company itself. It does not consist only of classic advice and guidance, which is limited to administrative or fiscal aspects, but also analyses the project as a whole and draws up proposals. Additionally, it also offers personalised in-situ support, mediation in internal conflicts and help over strategy and organisation. Although the final decision always rests with the person or team in charge of the company, the programme seeks to offer the objective point of view of professionals, based on following the company’s progress. The programme, which participates in this way in the drawing up of the company plan and viability studies, is aimed at people who wish to create or

consolidate their own businesses as well as existing companies that are having difficulties.

3.2.4.3. Target Public

In general, Trans-Formando’s services are aimed at people who wish to start up their own businesses and who have limited financial resources. More specifically, the organisation works with people who do not have traditional guarantees or sureties (above all those with microcredits granted in association with Fundació Un Sol Món), people who have limited resources but have entrepreneurial potential, and those who need advice and guidance services but have limited resources.

3.2.4.4. Contribution to creating microenterprises

In many cases potential entrepreneurs doubt their ability to start a business activity as they lack the necessary knowledge to take on responsibility for all aspects of a company. This is particularly the case with immigrants who may not have the necessary work permit. The existence of a structure which allows them to test out their project without having to concern themselves with administrative issues and without having to give up their normal occupation is an innovative and simple way of supporting them and preparing them to be independent once all the necessary conditions have been satisfied.

People who want to start a company, but do not have a sufficient surety or guarantee can-

not gain access to the traditional banking sector. However, thanks to a microcredit service especially adapted for the purpose they can obtain the necessary funds to start up their project.

In addition, being able to have full advisory services for the management of their project, either when setting up the business or when they get into difficulty after having set it up, helps maintain their entrepreneurial spirit, as they have the necessary tools available to them to help them cope with their doubts and the obstacles that can arise.

3.2.4.5. Main results

1. From March 2005 to December 2006, Trans-Formando accepted 23 people into their microcredit programme. Out of these, 14 have created their own businesses.
2. Out of the businesses financed during this period, only one closed down after 6 months of activity.
3. As well as the financial services that are offered within the scope of the programme, all the entrepreneurs received support in drawing up their business plans. They also received support in the area of management and have benefited from planned monitoring and follow-up of their businesses.
4. Between September and December 2006, the project “Lanzadera” accepted 64 participants.
5. Out of these 64, 19 entrepreneurs have established their businesses, selling their products or services in the real market by means of the legal cover provided by Trans-Formando.
6. The average duration of participation by entrepreneurs on this programme is approximately 9 months. But the period varies between one month, for those that progress their business activity rapidly, and a year for those who need to develop their project.
7. Within the management programme, in the 2005/2006 period Trans-Formando accepted 49 participants out of whom 15 created their own businesses. This does not include the participants of the Lanzadera programme who also receive managerial support although in a less intense form.
8. The average period of participation in the management programme is usually a year, although entrepreneurs can ask for help for up to three years.

3.2.4.6. Useful lessons

1. Business activity is based to a great extent on financial issues. However, this is not the only important area where entrepreneurs require assistance.
2. Before implementing their project, many entrepreneurs need to assess the viability of their idea. However, putting their idea into practice can act as a brake on them,

above all if have to give up their paid work to do so.

3. To be able to test out their project, without giving up their normal job and without having to deal with all the legal administration that running their own business requires, is an option that greatly encourages people who have a project but lack the knowledge or are not able to envisage or anticipate its development in the medium to long term.
4. A programme that makes it possible to test the viability of a business project enables entrepreneurs to see to what extent their project is feasible and to what extent they can make a living out of it. If they are employed the Trans-Formando project gives them sufficient time to make the transition to being self-employed without putting their financial position at risk.
5. In addition to financial and administrative aspects, it is important that the entrepreneur has a sufficiently active support service to be able to develop their business activity at the same time as acquiring indispensable business know-how. This combination of elements can often make the difference between a business succeeding and a project failing.

3.2.4.7. Recommendations

1. It is increasingly evident that entrepreneurs are held back by the lack of financial resources and satisfactory solutions.

However, the need to know how to handle certain tools, such as administration or accounting, and to understand the inevitable administrative procedures, can represent an even greater obstacle for the creation of businesses. The fact that a structure exists that takes responsibility for these aspects and enables entrepreneurs to try out their projects in the real world can motivate and help those who do not have the necessary knowledge or are frightened of creating a company without a guarantee of success.

2. In addition, the majority of entrepreneurs need support during the various stages involved in launching their project. Although some of these people may need little more than simple advice others, not having sufficient knowledge or not being able to analyse their project with sufficient distance to be able to consider each stage objectively, need more concrete, face-to-face help with someone capable of guiding them step by step throughout their project. Assistance with management, whether at the time of creating the company or when it is starting to have problems, makes it possible to overcome obstacles in time and so guarantee the survival of the business.

3.2.4.8. Best practice key words

Assisted management, Lanzadera, advice, support, administration management.

3.2.5. JOBS Financial Leasing Project - Bulgaria

The leasing of equipment combined with business support.

3.2.5.1. The organisation

Opportunities for employment through the business support programme “JOBS Project” is an initiative of the Bulgarian Ministry of Labour and Social Policy and of the United Nations Development Programme (UNDP). Since its inception in 2000, the project has made it possible to create 42 business centres (NGOs) and 10 business incubators in Bulgaria. The project operates in rural areas with high rates of unemployment, underdeveloped economies and a high percentage of vulnerable groups (such as the Turkish population and Romani minorities). The business centres and the incubators provide a package of company support services which includes microfinancing.

3.2.5.2. Best practice

The JOBS Project financial leasing scheme offers microfinancing products to entrepreneurs who do not have access to mainstream bank products so that they can buy machinery and goods. The microfinancing is accompanied by a business support service. The only thing that the person needs is to have a viable business idea that will lead to the creation of employment for at least one person. The local management of the fund is the responsibility of

NGOs, and the business centres and business incubators created are managed by the JOBS Project. The funds granted are used to buy second hand fixed assets over the long term, such as for example material for the manufacturing sector or services, vehicles, agricultural machinery etc that will subsequently be leased to the local business community.

The project has been implemented and is run in close collaboration with key actors in the community, which facilitates transparency, local ownership and responsibility on the part of the people involved. The local business centre is the provider of business support, a central element in the programme. With this support, the entrepreneur chooses the goods and the suppliers. Basic training in marketing, finance and business planning is also offered, with the objective of giving the entrepreneur every chance of success with the project.

People with a viable business idea must participate in all the activities planned throughout the company development process. Future entrepreneurs must undertake 20 hours of training in marketing, finance and business planning provided by the business centre. Once they have finished the training, they undertake a test in which they must achieve at least 80% correct answers (people with businesses that are already up and running pass directly to the end test).

The financial consultant from the business centre is responsible for the preparation, collection and revision of the documents submitted by the person requesting the leasing facility, and for requesting the necessary information to check their credibility. The finance profes-



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sional offers advice and support throughout the preparation of the business plan and is responsible for the financial analysis and the cash flow forecasts.

A local leasing committee in each business centre reviews all the requests for financing. The committee reflects the variety of the shareholders involved in the development of the private sector. Its five members represent the municipality, the bank, the employment office and the business community (an association of business people or a local company). The president of the committee represents an NGO. The professional in financial leasing from the JOBS Project takes the final decision. The process of making the request is quick and simple and the equipment can be delivered within a couple of weeks after the first visit to the business centre by the person making the request.

The local business centres also provide additional development services that include:

- *Consultancy services*: the development of the business plan; assistance with marketing; form filling and legal procedures; accounting, etc.
- *Training*: business skills; basic marketing and the management of small businesses, etc.
- *Information and information technology services*.
- *Incubation programmes and the hire of business premises* at below market prices for new businesses.

3.2.5.3. Target Public

Financial leasing is within the reach of entrepreneurs, SMEs, agriculturalists and the unemployed, who otherwise would not have access to credit.

3.2.5.4. Contribution to the creation of microenterprises

The programme provides help to people who would otherwise not have access to financing for their new businesses. It also helps them to create a good credit history. The programme improves their access to mainstream banking services and reduces financial exclusion. In fact, it also facilitates the development of the entrepreneur's business and therefore the development of the business community itself.

The JOBS Project makes it possible to ensure community ownership through using NGOs to offer its products which requires continuous work to develop the knowledge and microfinancing skills of the NGOs themselves. The work includes financial training which makes it possible to reduce the financial exclusion of these organisations.

3.2.5.5. Main results

1. The JOBS Project has helped 21,750 people to obtain stable employment between the end of the year 2000 and the end of June 2006. In the same period, 30,770 people benefited from organised, specialist training by the JOBS business centres in finance, accounting, marke-

ting, management, computing and languages. The business centres have offered 68,100 business services to local companies.

2. The JOBS Project leasing programme resolves the principal problems which its target audience confront due to lack of sureties and guarantees. The leased good is the only surety required. The ownership of the leased goods is not obtained until the lease has been paid in full, which provides the NGO that owns the goods with a certain degree of protection. Furthermore, money is not given in cash to the entrepreneur, which reduces the risk of the project's funds being used inappropriately. Clients can also benefit from a grace period of up to 6 months,

which the lessee can use across the whole of the leasing period, thereby helping compensate for periodic fluctuations of sales.

3. The programme is increasingly popular, with a 47% increase in the business portfolio during the first half of 2006. The distribution of the business portfolio by sector of activity is as follows: more than 36% are agriculturalists, 9% of the clients are in the textile sector, more than 10% are companies in the wood and furniture sector; 25% are in the service sector and 20% work in other business sectors.
4. The following table shows the impact of the project on the business community (figures up to 31st July 2006):

Number of leasings	1.128
Value of leasings granted	5.420,378€
Total cost of leased material	7.015,463€
Jobs created as a result of the leasing project (created and safeguarded)	6.650
Percentage of women helped by the project	30%
Percentage of rural entrepreneurs helped by the project	75%
Percentage of new businesses helped by the project	26%

5. At the end of June 2006, the JOBS Project had served 1,098 micro and small enterprises and unemployed people. Furthermore, the leasing team has reduced production costs to an average of 35%, which has led to an increase in profits and sustainability.
6. The Bulgarian Romani population is at risk of financial exclusion. In two of the JOBS Project business centres the financial leasing arrangements have been especially adapted to help entrepreneurs from this group (with a longer repayment period, a greater grace period and a smaller advance payment required).

3.2.5.6. Useful lessons

1. The JOBS Project combines leasing of goods with company support, which provides entrepreneurs with more opportunities for starting a viable business. Leasing decreases the amount of investment required and reduces the need to find guarantees, as well as reducing production costs. The business support given means that the entrepreneur explores more opportunities for using the leased goods to generate a sustainable income, and therefore the project is useful as a way of reducing financial exclusion.
2. A consequence of the above is that it is probable that there are less people falling behind with repayments for the leasing of equipment when business support is offered, which increases the possibility of a return on the investment

made. This is important when the initial capital comes from an investor and not a donor. It is possible that it will be necessary to subsidise the investment if the programme has to be sustainable and transferable.

3. Business support is necessary both before the lease is offered and during the period of making the leasing payments.
4. The leasing of equipment can constitute an important part of the microfinancing programme, at least in those countries where private sector penetration of the financial leasing market is limited.
5. The leasing of equipment entails a risk of fraud, especially with regard to vehicles. A detailed analysis of the default rates in the medium term can help to identify the level of payment necessary to cover this risk.
6. Leasing is more sustainable when quality second hand equipment is leased, because of the lower capital investment and because there is less loss of value of the equipment leased during the repayment period.
7. A leasing agreement can be adapted according to the context. The rate and amount of the payments can be adapted to the needs of the lessees, and different types of equipment can be leased, from basic tools to specific machinery, although the more specialised the equipment the less possibility there is of reselling it.

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8. The expenditure of capital for the purchase of equipment for leasing can be undertaken if tailor-made advice and business support is established at the same time as the control mechanisms for non-payment, to protect the quality of the business portfolio, is put in place. It is hoped that financial sustainability of the JOBS Project will go up from 104% in 2001 to 125% in 2006.
 9. The leasing of equipment cannot pay for the costs of business support.
 10. Successful leasing requires intense marketing as well as the careful identification of the project's first clients who can manage to make a success of their businesses.

3.2.5.7. Recommendations

1. The microfinance organisations consider the equipment leased as part of the business portfolio of their microfinance product provision.
2. Microfinance organisations that want to offer leasing products must make sure that the lessees have access to business development support services and the leasing contracts are signed once a good business plan has been prepared, which shows that the business has every chance of working and that the income generated will be sufficient to cover the leasing payments. The entrepreneurs must be asked to undergo business training. The

business support must continue during the repayment of the leasing costs.

3. The microcredit organisations that want to implement leasing programmes combined with business support services can ask for advice from the JOBS programme.
4. Leasing can help achieve financial inclusion and help achieve government policy objectives. Governments can therefore consider that capitalising a fund for the purchase of equipment is a worthwhile investment as the default rates are very low. Similar funds must only be created once support services can be offered.
5. When governments offer financing for business support, they may want to ensure that it is available to the clients of microfinancing organisations that also offer equipment leasing.

3.2.5.8. Best practice key words

Financial leasing, follow-up, on-going support, equipment hire.



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3.2.6. Ten Senses - Slovakia

In Slovakia, women who want to start their own business have to face two problems: access to finance and access to the markets. The best practice described below is centred on innovation in access to the market that enables the development of businesses run by women.

3.2.6.1. The organisation

The Integra Foundation is a not-for-profit, non-governmental organisation created in Slovakia in 1995. Integra is involved in the social and economic development of marginalised groups in Slovakia and in other Central and Eastern European countries. Its mission consists of helping those people with the greatest difficulties to establish their own businesses in such a way that they become “islands of integration” and in this way participate in the transformation of their communities.

Integra tries to achieve its objectives by means of four strategic programmes:

- *Microenterprises Development programme (MED programme):* training, microcredits, access to the market and other development services for disadvantaged groups, principally women.
- *Social Enterprises programme:* advice, training and financing for the development of small businesses with a social and commercial mission.

- *Corporate Responsibility Programme (CSR):* research, support and advice services on themes of business ethics, transparency and the fight against corruption.
- *Assistance for Official Development (ODA):* technical assistance and financial investment in other countries, above all in the Balkans and East Africa.

At the end of 2003 the Integra Foundation, that manages the microenterprises development programme (MED) for women in a precarious position in Slovakia created Ten Senses Limited, whose objective is to manage the market access programme created by Ten Senses. The MED project started in 1999 and by 2004 had already helped 600 women throughout the country. This programme offers support for development, advice and credit for new companies.

Approximately 35% of MED programme clients are producers. Typical products are: culinary specialities, textiles, clothing, carpets, leather products, candles, basket work and other artisan products.

At the end of 2002 Integra staff noticed that their producer clients increasingly had problems accessing markets for their products. This was due principally to a change in the retail sales context (supermarkets, hypermarkets, shopping centres...) and the consequential closure of smaller shops and markets.

3.2.6.2. Best practice

Classic microcredit activity consists of providing financial services to existing entrepreneurs. However, it is clear that for producers in mo-

dern economies influenced by globalisation, access to the market is becoming as difficult as access to credit.

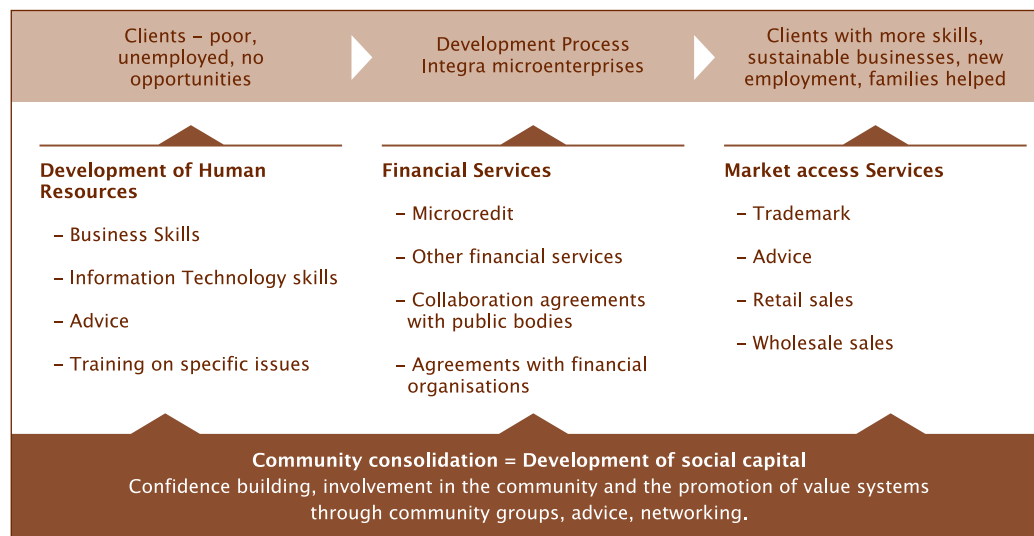
In 2003 Integra, in collaboration with the Accenture Development Partnership and the Shell Foundation, developed a complex strategy to respond to the difficulties which their producer clients were facing due to this restricted access to the market. The result of this strategy was the creation of a new company, Ten Senses Limited, which since then has increased its retail and wholesale sales activities in Slovakia as well as in Romania, Bulgaria, Serbia, Russia and Kenya.

This organisation offers the following services to its clients:

- Affordable professional advice for product design, quality and packaging.

- Access to the Ten Senses Fair Trade brand.
- Access to the Ten Senses shops for their products.
- Payment in advance and guaranteed orders for the products.
- Access to Ten Senses' distribution channels, that sell products to the principal regional shops.
- The opportunity to participate in training that is based on innovation, information on market trends, product life cycle management, etc.

The following diagram shows how the different activities feed into the programme:



In addition, Ten Senses has become the first organism of Central and East Europe certified as member of IFAT (international association of Fair Trade). This allows that the products of their customer are sold under a Trade Fair brand and that the final consumers have confidence in the equitable nature of the products that they are buying.

3.2.6.3. Target public

The target audience is composed of the participants of the Integra MED programme for women in a position of risk of social and economic exclusion. This includes single women, refugees, divorced women, women with a low level of education, women from minority groups, women married to or living with men in a situation of structural unemployment, victims of domestic violence, etc. Despite the fact that other women also participate in the MED programme, this has been especially designed for these groups. The programme can help women become self employed or become part of companies and associations run by women.

The Ten Senses type of company consists of one or two people employed full time or frequently two or three who work half time.

Ten Senses offers typical Fair Trade products (coffee, tea, chocolate, cotton products etc) together with goods produced locally. Approximately 25% of sales consist of these products. Therefore a second target group is represented by producers of traditional Fair Trade products from developing countries.

In 2006, Ten Senses also created its own Fair Trade products company in Kenya, with the ob-

jective of extending the access to the market services and the supply chain to African producers.

3.2.6.4. Contribution to the creation of microenterprises

1. As the markets are becoming more sophisticated and globalised, access to these is becoming a fundamental problem. If this is evident at a global level, with poor markets in developing countries, excluded from access to European and North American markets, it is also the case in the heart of the developed countries. While microcredit is increasingly accessible in Slovakia, the lack of access to the market can signify that many people who have obtained a loan can fail in business.
2. Furthermore, by helping microentrepreneurs to have a stable income through their sales, the need for credit is reduced. In fact, in some cases, the payment arrangements offered by certain supplier companies can be the only credit necessary.
3. Indirectly, the programme reduces financial exclusion because by establishing a positive financial history through the project access to conventional credit becomes possible.

3.2.6.5. Main results

Impact: There is already evidence that a programme like Ten Senses can have a considerable positive impact on the target public. The following table shows the key indicators employed to measure the impact of the programme in Slovakia.

Furthermore, Ten Senses in Slovakia has extended this programme to the poorest areas of Rumania and Bulgaria, where the following results have been recorded (to 31st March 2006):

- 139 people created 232 jobs.
- 62 % experienced an increase in their income.
- 71% experienced an increase in disposable family income.
- 60% were part of a target group in a situation of risk.

These figures show that the poorer the economy, the greater are the benefits of the programme.

· *Adaptability / transferability:* Access to the market continues to be a concern for entrepreneurs throughout Europe. The combination of business development services and a growing Fair Trade movement has demonstrated its effectiveness in many parts of the continent, in particular in the east. The fact that the Slovak programme has been implemented now in five more countries since 2003 shows that it can be widely transferred. This situation is supported by the fact that Ten Senses staff have collaborated with microfinance organisations in Kosovo, Armenia and Kenya in the development of market access strategies.

· *Financial sustainability:* Ten senses is a profit making organisation. Its survival depends on its income. The income and pro-

Ten Senses Ltd. (Slovakia)		2006	30.06.2006
Key indicators up to 30 th June 2006		Forecasts	Actual figures
KPI 1	Volume of sales made through Ten Senses	45,347€	57,710€
KPI 2	Ten Senses profit (before tax)	-4,430€	7,934€
KPI 3	Number of clients who use the market access programme	185	184
C1: MA	Clients advised within the market access programme	45	42
C2: MA	Retailers	170	172
KPI 4	Increases in income of clients on the market access programme	40%	39%
% of C1 and C2 clients who increased their income			
KPI 5	Increases in disposable family income for those clients on the market access programme	42%	45%
% of C1 and C2 clients who show an increase in their expenditure			
KPI 6	% of clients on the market access programme who are part of a target group in an 'at risk' situation	55%	53%
KPI 7	Jobs that have been created or safeguarded through the market access programme	225	221

fits projections originating from its activities in Slovakia are 120% above its operational sustainability projections. Integra has invested 300,000 dollars (some 235,000 euros) in the development of Ten Senses and expects to recuperate its investment at the end of 2007.

· *Profitability:* The project is profitable in terms of the number of people helped per dollar invested. With 350,000 dollars (about 274,000 euros) invested in 323 people and 453 jobs created, the costs of the project are as follows:

- 9928 dollars (about 730 euros) per person.
- 662 dollars (about 520 euros) per job created.

3.2.6.6. Useful lessons

1. Financial services for fostering business creation are not sufficient in themselves if entrepreneurs do not have the opportunity to access markets in which to sell their goods or products. It is important to be able to count on the existence of a structure that facilitates access to the market, above all when businesses are first established.
2. Being able to benefit from the reputation of a well known trademark can contribute to a business' success. The phase of launching a business can vary in duration and the lack of market status can prejudice the sustainability of a microcompany. Having the opportunity of marke-

ting their products under a well known trademark can make it easier for entrepreneurs to attract their first clients.

3. Access to existing shops to sell merchandise represents a clear advantage as it enables new entrepreneurs to develop their businesses, and in particular their commercial activity, without the need to invest in premises for a shop. This fact has an obvious effect on the amount of capital needed for business start-up.
4. Access to advice and training services is essential, above all in the case of groups that are at risk of economic exclusion. These additional services offer women the tools needed to make their businesses function effectively.

3.2.6.7. Recommendations

1. As the process of transition continues in the Eastern European countries and markets become increasingly competitive and globalised, exclusion from the markets of local producers represents a serious threat to businesses development. This situation must be an issue of concern for microfinance organisations, whose financial performance often depends on the success of their clients' businesses. Ten Senses' approach is one possible way of helping such clients to access the markets.
2. The demand for financial services is now tending to diminish in countries where a conventional financial sector is becoming more established. Consequently, assisting

entrepreneurs to gain access to the market is becoming the way that microcompany development agencies can remain sustainable.

3. The microfinance organisations can see that the levels of defaulting on repayments diminish if they offer market access programmes that incorporate personalised advice. It is possible to offer this service in a profitable way.
4. The microfinance organisations that work with groups such as immigrants who are in situations of exclusion or vulnerability will find that the combination of a microcompany development company and Fair Trade represents a new quality of service for their target public.
5. There is a significant demand for advice concerning access to the market on the part of microfinance organisations which, with sufficient investment, could become a separate service.
6. Ten Senses' activities are only useful for producers. As a proportion of microfinance organisations' clients work in the sales and service sectors a programme of the Ten Senses type could principally be of benefit as part of a wider business development programme.

3.2.6.8. Best Practice key words

Access to the market, financial exclusion, producers.

3.2.7. Bolags Bolaget - Sweden

A social enterprise that employs entrepreneurs and offers administrative and support services.

3.2.7.1. The organisation

The Swedish Republiken Klarälvdal'n Association (Republic of the River Klarälvdal'n Valley Association) is a not-for-profit association. It launched the Bolags Bolaget AB project in 1999.

The Republiken Klarälvdal'n was created in September 1991, in a region situated in the west of Sweden. This republic, which is an entirely virtual location, is the result of an idealistic and passionate vision, the objective of which is to create an optimal environment and quality of life that makes the most of what already exists, that fosters the development of different conditions (i.e. economic, personal, social etc conditions). In short, the idea of the idealistic minds that initiated this project more than 15 years ago is that in order to achieve their aim in life, each person has to make the best possible use of what they have, without being held back by what they do not have, and without blaming others for their own errors.

The creation of this utopian republic has had a significant impact not only in the region in which it was created but also on the Swedish socio-economic sector as a whole. The key factor in this association's strategy is the pooling of the creative potential of the people who make up the republic, and get involved to change the way in which people focus their lives.



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In 1995, the association received the prize for the best regional development project in Sweden, which encouraged its creators to be yet more creative and ambitious.

3.2.7.2. Best practice

Bolags Bolaget, which means “A Business for Businesses”, was created in response to the absence of a mid-point between employment and self-employment in Sweden. Any person who wanted to sell a product had to register in order to obtain permission from the fiscal authorities to issue invoices. Furthermore, the fact of creating their own company also meant they had to control all aspects of their business including, for example, accounting, at a time when the new entrepreneur was mainly concentrating on developing their market and had a very low cash flow.

The Bolags Bolaget social enterprise offers a solution to this problem. Through its administrative platform, anyone can start a business without having to formally create a company. Instead, the new entrepreneurs are employed by Bolags Bolaget who provide them with a space and the means for developing their business. In reality, these new employees “rent” or contract their employer, with the right to end the agreement at any time.

When an entrepreneur wants to start a business, he signs an agreement with Bolags Bolaget in which the responsibilities of both parties are set down. The entrepreneur is fully responsible for the development of the product or service as well as for trying to make a profit, while Bolags Bolaget takes responsibility for

the administration. Establishing the relationship between the two parties is very easy as it is only necessary to make a phone call and sign the agreement.

Bolags Bolaget takes responsibility for the financial management of the new business, which includes invoicing, making payments, paying salaries, managing the relationship with suppliers and paying VAT. Their obligation consists of doing this efficiently and in compliance with the current legislation. To do this, it creates a cost centre which carries out the accounting on behalf of the entrepreneurs, in a way that makes it possible to accurately track transactions at any time.

Bolags Bolaget does not offer any credit, so payments can only be made if there are sufficient funds in the user’s account. A charge of 15% of the entrepreneur’s sales is made for this service as an administration cost for the service offered. This is sufficient to cover Bolags Bolaget’s running costs.

3.2.7.3. Target public

People who want to start a business and who often do not have the necessary experience or knowledge of company administration and management. This includes people who are employed by others and who do not want to give up their current jobs.

3.2.7.4. Contribution to the creation of microenterprises

People in a position of financial exclusion who want to work for themselves to overcome this situation have to confront numerous problems in addition to that of accessing finance. It is often difficult for them to acquire business know-how such as accounting, billing, credit control, etc while they are trying to perfect their technical abilities in the area of production and sale of products and services. Bolags Bolaget makes it possible to reduce social and / or economic exclusion, as it helps them to overcome this problem. This option is cheaper for the entrepreneur than using independent professionals to do their accounts and payroll.

This approach is also a more secure way for the entrepreneurs to try out the viability of their projects. They do not need to invest in computers or other types of technical equipment to take care of the administration and they can even keep their current jobs if they are in employment. In this way the financial risk that they face is reduced and a level of income is maintained while they are starting up their project and testing its viability.

3.2.7.5. Main results

1. The intermediary role of a social enterprise like Bolags Bolaget makes it possible to reduce the financial risk for entrepreneurs, at the same time as helping them increase their chances of success when they take over the financial and administrative management of their businesses for themselves.

2. This type of structure can be developed rapidly and in a sustainable way. Nowadays, Bolags Bolaget, which has been in existence for 7 years, employs more than 300 people, distributed across the whole of Sweden.
3. The Bolags Bolaget model would seem easy to implement in other European countries. However, such implementation depends on the legislation governing financial activity in each country. In Sweden, it is possible for a company to employ people who run their own businesses. This is not always possible and so it is essential to take the legal context of each country into account.

3.2.7.6. Useful lessons

1. Entrepreneurs do not always have the ability to create their own businesses, either because they fear the administrative procedures, or because they need more time before fully implementing them. The existence of platforms that take care of all aspects not concerned with the core activity of the microcompany therefore makes it possible to avoid holding the project back because of the administration involved in creating a business.
2. By using a provider of administrative services that takes care of the everyday management of their businesses, the entrepreneurs can concentrate better on their principal activity and therefore have more chance of their businesses prospering.

3. For people who do not have the necessary knowledge of management and administration, this lack of knowledge no longer acts as a brake and the entrepreneurs are empowered to start-up and develop their projects.

3.2.7.7. Recommendations

1. Microfinance organisations could create a social enterprise based on the Bolages Bolaget model. This would function as an autonomous entity capable of offering support to those people to whom they have granted a loan. It is very probable that this would help to reduce the degree to which new businesses default on loan repayments. One single national social enterprise to which microfinancial organisations could refer their clients would be sufficient to meet potential need.
2. The public authorities could carry out a viability study to identify the legislative barriers that impede the introduction of the Bolags Bolaget model, so as to be able to carry out the necessary reforms.
3. Governments could grant financial subsidies for piloting the model in their respective countries and disseminating the results.

3.2.7.8. Best practice key words

Administration and management platform, hiring the employer, cost reduction, reduction of financial risk.

3.3. Administrative measures

3.3.1. Single contact points for businesses - Belgium

A single administrative platform that replaces the Commercial Register and the Chambers of Trades and Commerce Registers to serve as a single link between the entrepreneur and the state administration, which in this case is represented by a database called “Banque-carrefour” (Intermediary Bank).

3.3.1.1. Origin of the project

With the aim of simplifying the administrative requirements for new businesses that have already been established, it was decided to create an administrative database together with single contact points.

The La Banque-carrefour des Entreprises - BCE (Intermediate Companies Bank) is a register that groups together all company identification data and that of their subsidiaries. It also groups together the data from the national register of private individuals, the commercial register, the VAT register and the ONSS (National Social Security Office), that the organisations responsible update regularly.

The Federal Public Service (FPS) grouped all this data together in the form of an Intermediate Companies Bank database. This bank (BCE in French) is an interdepartmental project that involves close collaboration between the FEDICT (Federal Public Service for Information and Communication Technologies), the Admi-

nistrative Simplification Agency (ASA) and the Federal Public Service for Finance, Justice and Social Security.

The Finance service, (IVA), National Social Security Office (ONSS), Justice (Commercial Tribunal Register) and the single contact points are all connected to the Companies Intermediary Bank. They also enter data and correct it when necessary.

With regard to the single contact points, their role consists principally of registering individuals and association in Belgium:

- That act as a commercial compan.
- Or that, as employers, have to pay social security.
- Or have to pay VAT.
- Or that are freelance and carry out a profession or provide services.

The single contact points are not-for-profit associations that have to be endorsed by the state. This endorsement is granted for a period of five years and its renewal must be requested 6 months before it expires. To avoid the proliferation of single contact points and so maintain the quality of the service offered, the single contact points are required, within a two year period, to achieve an annual quota of 2,000 company or subsidiary registrations or registrations of company modifications. Each year the Ministry publishes a list of endorsed single contact points. The administrative procedures that are carried out via these single



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contact points are not free and the charges, identical for every single contact point, are set by the public authorities.

3.3.1.2. Best practice

The single contact points system started to operate on 1st July 2003 after the withdrawal of the Commercial Register and the Chambers of Trades and Commerce Registers. The system consists of an organisation that is representative of the employers' association, of freelance workers and a group of representatives from the business world created in the form of a not-for-profit association. The single contact point has made it possible to replace a series of contact points where the new or established entrepreneur, must report when starting a business, when it ends, or whenever there is any change within the company. The aims of the single contact points are the following:

- *The registration of the commercial and artisan businesses* in the Companies Intermediary Bank, where they are assigned a business registration number, a VAT number and a National Social Security Office number.
- *Modifying or confirming a commercial company closure.*
- *Checking the conditions of access* to the profession and, if necessary, the permits required. The single contact points are now charged with responsibilities that previously belonged to the Chambers of Trade

and Commerce. In this way the single contact point checks if the new company complies with the legal requirements necessary to be able to carry out an activity or function.

- *Guaranteeing access* to data about companies.
- *Charging on behalf of the treasury* registration costs and other costs defined by the law.
- *Archiving documents* deposited by companies.

The single contact points can, with the client's permission, serve as intermediaries in relation to the client's dealings with the government. In this way the single contact points can carry out all the administrative procedures that a company has to perform in relation to various government bodies on behalf of the entrepreneur it is representing. This role of intermediary is possible if the company requests the intermediary to act in its name, by means of a power of attorney signed by the entrepreneur (VAT, National Social Security Office, etc).

The single contact point thus becomes an exclusive intermediary for companies, the self-employed, new entrepreneurs, people who have to pay VAT in their dealings with the federal bodies, and in the longer term, with the regional bodies. Any employer has to go through a single contact point in order to be registered in the Companies Intermediary Bank (BCE). Once this has been done, the entrepreneur will receive a unique, ten digit company

identification number which must be used in all communication with the authorities. These authorities must therefore get in touch with the BCE to obtain the data related to companies, such as the name, address, its legal status, the date it started trading or ceased trading, identification data for the people in charge of it, its activity, permits and registrations. However, a legally constituted company is obliged to deposit its statutes in the archives of the Commercial Tribunal and publish them in the “MB” (the Official Bulletin). This means that a individual (SA, SPRL, etc.) that wishes to start a business activity must go to the Commercial Tribunal archives to obtain a number before going to the single contact point. Only then can the future entrepreneur request the status of a trader.

Any company can choose to deal with any particular single contact point (this does not need to be in the same place as the entrepreneur wants to set up the business) and change to another when this suits them. The single contact points are required to carry out the registrations, de-registrations and changes which are asked for immediately, within the current legal framework.

3.3.1.3. Target public

The single contact points are aimed at companies, both new and established, as well as all those people who start or carry out a business activity in Belgium on a self-employed basis.

3.3.1.4. Contribution to the creation of microenterprises

By replacing the Commercial Register and the Chambers of Trades and Commerce Registers, the single contact points have significantly helped to simplify the administrative procedures necessary to start a business in Belgium. In this way, for a self-employed business person, the fact of having only one single intermediary in relation to the Administration facilitates the business creation process, which is often held back by the complexity of the administrative processes and by the difficulty of knowing for sure who all the necessary intermediaries are within the process of setting up a business.

3.3.1.5. Main results

Today there are 10 certificated single contact points for businesses.

3.3.1.6. Useful lessons

1. The existence of a single intermediary to liaise with the government’s administration shortens the time it takes to set up a company, as it makes it easier to carry out all the administrative procedures that have to be completed.
2. Entrepreneurs are no longer held back by the complexity of the administrative procedures and are more inclined to continue with their projects.
3. The freedom that the entrepreneurs have at the time of choosing a single contact

point provides a high degree of flexibility, which does not exist in a classic administrative system.

4. The single contact points have to be endorsed by the central government administration, which also determines the tariffs for the services offered. This is a guarantee of quality, above all for the new entrepreneurs who are not accustomed to these administrative procedures.

3.3.1.7. Recommendations

1. In market economies which have to face increasingly frequent problems in relation to the labour market, self-employment and microenterprise activities offer a real opportunity for development.
2. The complexity of the administrative procedures that are required for a person to become established as a self-employed worker act as a brake in the majority of western economies.
3. The implementation of a single administrative intermediary can represent a good opportunity for the public authorities to encourage business activity and self-employment.

3.3.1.8. Best practice key words

Single intermediary, simplification of administrative procedures.

3.3.2. “Ich Ag” and Gründungszuschuss - Germany

A state initiative to foster self-employment.

3.3.2.1. Origin of the programme

At the beginning of 2002, the German government created the “Moderne Dienstleistungen am Arbeitsmarkt” (Modern Labour Market Services) Commission whose mission consisted of proposing measures capable of restructuring the labour market and fighting unemployment. The commission, run by Volkswagen’s Head of Human Resources, Peter Hartz, was based on reforming not only the employment agencies but also the unemployment benefits system. It also proposed different innovative measures to help the unemployed re-enter the world of work.

Hartz Laws I and II: These laws, which came into force on 1st January 2003, represent an important step in the implementation of the reforms proposed by the Hartz Commission in its report in August 2002. The principal measures had improving the speed and quality of the job seeking process, targeting the on-going training services according to the needs of the market and fighting against employment in the black economy as their objectives.

This new legislation also included a measure that encouraged the unemployed to become self-employed. This measure, which is called “Ich AG” (self-start-up), established that an unemployed person who decided to become

self-employed would be entitled to receive unemployment benefit for three years, provided that his annual income did not exceed €25,000.

Hartz III: The third Hartz law came into force in January 2004 and its objective was to modify the organisation of the Employment Office (Bundesagentur für Arbeit). Within the framework of this legislation, the Office should not be a simple bureaucratic tool but instead should offer a real job hunting service and foster employment.

Hartz IV: The fourth Hartz law came into force in January 2005 and led to the creation of “unemployment benefit II”. The financing for this no longer comes from the contributions made by people in employment but instead comes from general taxation. The amount of benefit paid to the unemployed was no longer to be determined by the level of income they had had when they were working but would be based on their real needs.

At the end of 2006, another measure replaced the previously implemented *Ich AG* initiative under the name *Gründungszuschuss* (subsidy for the creation of businesses). The motives for this change were the abuses that resulted from the *Ich AG* initiative and the desire to reduce costs.

3.3.2.2. Best practice

“*Ich AG*” is the name commonly used to refer to the collection of measures (administrative, social and fiscal) that were designed to foster business activity and encourage the unemployed to create their own employment in accordance with the proposals put forward by the



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Hartz commission. The "*Ich AG*" initiative then did not involve the creation of a new legal entity but was instead a series of measures, that under certain conditions, aimed to grant unemployed people starting their own businesses a gradually reducing and fiscally neutral subsidy from the state, for a maximum period of three years. From a financial point of view, this subsidy was staggered as follows: 600 euros per month for the first year, 360 euros per month for the second year and 240 euros a month for the last year.

Obtaining this support was subject to numerous conditions, principally that of having worked in Germany and having, therefore, contributed to the unemployment benefits scheme. A person coming from another country who had never worked in Germany could not benefit from this help while another, irrespective of his nationality, who had worked in Germany for a sufficiently long period to be able to claim unemployment benefit if unemployed, was able to receive the help.

On 1st August 2006, *Ich AG* was transformed into *Gründungszuschuss* (*company creation subsidy*). The financial assistance no longer lasted three years but for 15 months. In the first nine months the recipient of the support receives 300 euros as well as unemployment benefit. This sum serves to pay the different tax contributions that the company has to make. At the end of nine months, the entrepreneur can continue to receive the 300 euros for a further 6 months if he can demonstrate that his project is viable. However, the total amount of benefit received cannot exceed 23,800 euros (made up of the company creation subsidy and unemployment benefit together).

After a period of 24 months, a person can ask for the financial support provided by the **Gründungszuschuss** scheme again.

In Germany, there are multiple subsidies, and they are distributed across different levels of government: the communes, the Länder, the Federal State and the European Union. Request for these subsidies has to be made through the entrepreneur's normal bank though in the case of **Gründungszuschuss**, the application has to be made through an employment office and a company creation form has to be filled in.

3.3.2.3. Target public

Both *Ich AG* and *Gründungszuschuss* are aimed at people who are unemployed who have worked in Germany and have the right to receive unemployment benefits.

The beneficiaries must have the right to unemployment benefit for at least 90 days after they have requested *Gründungszuschuss*. Furthermore, the business activity that they create must be full time. The entrepreneur must demonstrate that he has knowledge of the sector in which he is trying to create his business and must present a business plan to the appropriate body. If there is any doubt with regard to the knowledge of the entrepreneur, the employment office can require the person to undertake training.

People who are unemployed as a result of having voluntarily left employment cannot request this subsidy until three months after they ceased working.

3.3.2.4. Contribution to the creation of microenterprises

By presenting entrepreneurialism as an alternative to unemployment, the German government is fostering the creation of businesses. Furthermore, the assistance (financial, fiscal and administrative) that is offered represents considerable support for people who have a project in mind but do not have sufficient funds to carry it out. Receiving this assistance while continuing to receive unemployment benefit is an additional incentive.

The government, within the framework of its policy for combating unemployment, fosters self-employment and entrepreneurial activity through a series of subsidies which are not exclusively limited to financial support but instead also concern the administrative, fiscal and social aspects of entrepreneurialism. Support from the state makes it easier for a person who is unemployed to create his own business.

3.3.2.5. Main results

The following graph shows the influence the initiative “*Ich AG*” has had on the creation of companies from its implementation in 2003 until July 2006. This initiative was changed in 2006 into the “Subsidy for the creation of companies”.

Thus we can see that during the period in which “*Ich AG*” was in operation, the number of companies created by people who were unemployed increased significantly. In 2003, out of the 253 businesses created, 95 were created through the “*Ich AG*” initiative. A year later, this number had increased to 158. This repre-

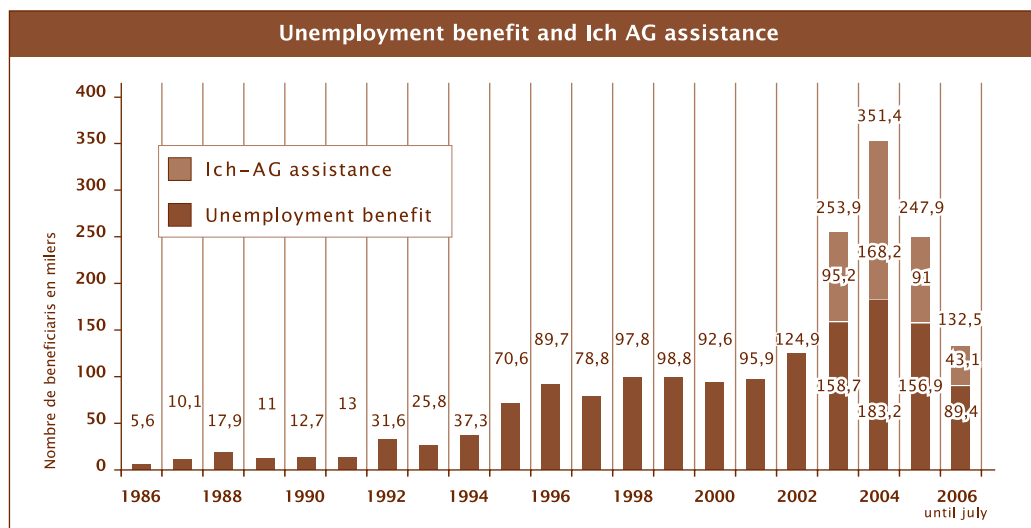
sents nearly half of the businesses created by people who were unemployed during that year. However in 2005 the impact was less, with a decrease in the number of businesses created through this initiative. This decrease can explain why the initiative was replaced in 2006 by new measures to foster business activity.

Unemployment benefit and *Ich AG* assistance

With regard to *Gründungszuschuss*, by the beginning of March 2007 6,788 companies had been financed. This programme has not been running for a full year yet and so it is too soon to try to evaluate its impact.

3.3.2.6. Useful lessons

1. Self-employment seems to be an alternative to unemployment.
2. The government encourages unemployed people that satisfy the requirements to create their own business, offering them a series of subsidies over a three year period, which is sufficient time to establish a microenterprise. In this way, starting up a business is one more tool within a state’s policy for combating unemployment.
3. The government adopts active measures to reduce unemployment which include the creation of new businesses and the encouragement of self employment. The government tries to involve the future entrepreneur in his return to economic activity.



4. The subsidies are linked to the viability of the project, which tends to discourage people using the system from abusing it.

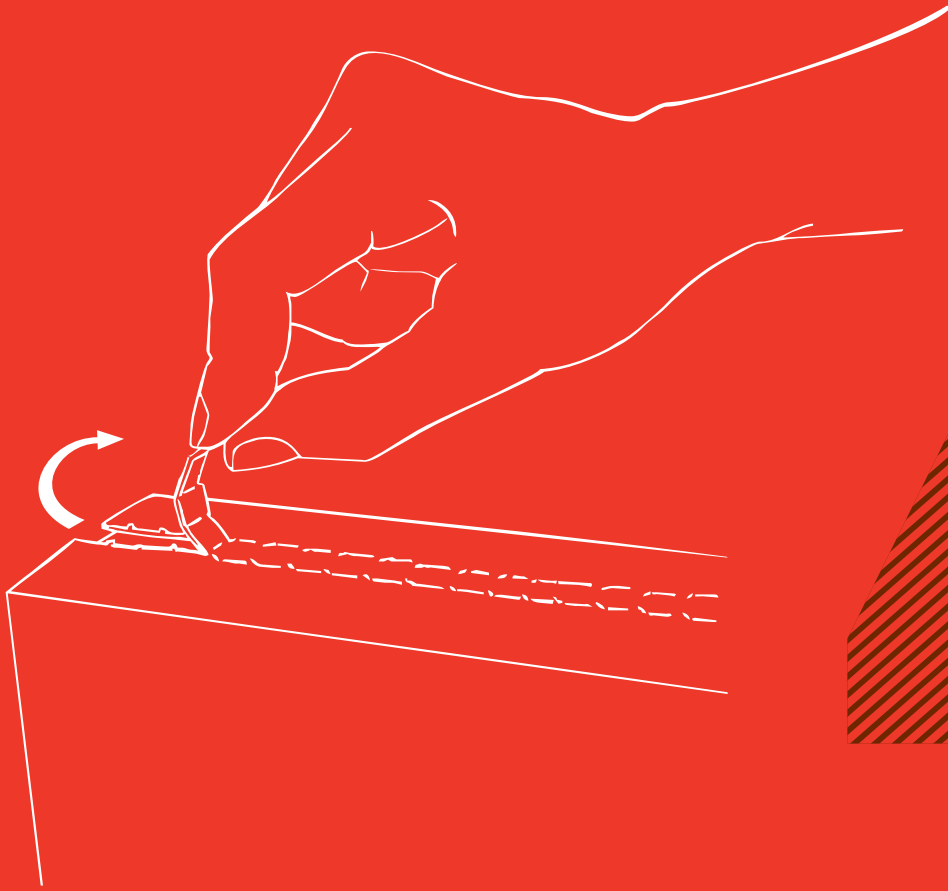
3.3.2.7. Best practice key words

1. With the aim of fighting unemployment and social and financial exclusion, which are often linked together, governments must take measures that take the reality of the labour market into account. To do so, and with the aim of allowing entrepreneurialism to seem a possible and satisfactory alternative, the state must encourage it and help future entrepreneurs to create their own businesses, whether by means of financial, administrative or fiscal support.

2. A measure of this type must be comprehensive and must cover all areas involved in creating a new business. In the fight against unemployment and social and financial exclusion, entrepreneurs must have all the necessary tools available to them such as advice, finance, support and follow-up, as well as help at the administrative and fiscal level. Without full support, business activity can be seen as being too difficult by many people who may not have the necessary knowledge and skills.

3.3.2.8. Best practice key words

Promotion of business activity, alternative to unemployment.



4. Recommendations for the transfer of best practice



4. Recommendations for the transfer of best practice

The proposals implemented by the organisations described above seek to promote the entrepreneurial spirit and self-employment in Europe. In this chapter the “key” aspects of the programmes described are summarised in each of the best practices analysed. These “key” features (information, training, advice, follow-up, support, guarantees, appropriate financial tools, etc) can be *transferred and adapted*, according to the regional or national contexts, as they consist of *fundamental* measures for the effective development of programmes aimed at social inclusion and inclusion through work, self-employment and the improvement of the services available for the most disadvantaged groups, especially for those that are excluded from the traditional financial system.

Consequently, we consider that the development of innovative schemes that emphasise the aspects described here would make the achievement of the objectives defined by the European Community regarding social inclusion and self-employment possible. Self-employment, together with micro-enterprise business activity, offers a real prospect for the development of society in general.

To achieve this, we consider it necessary to:

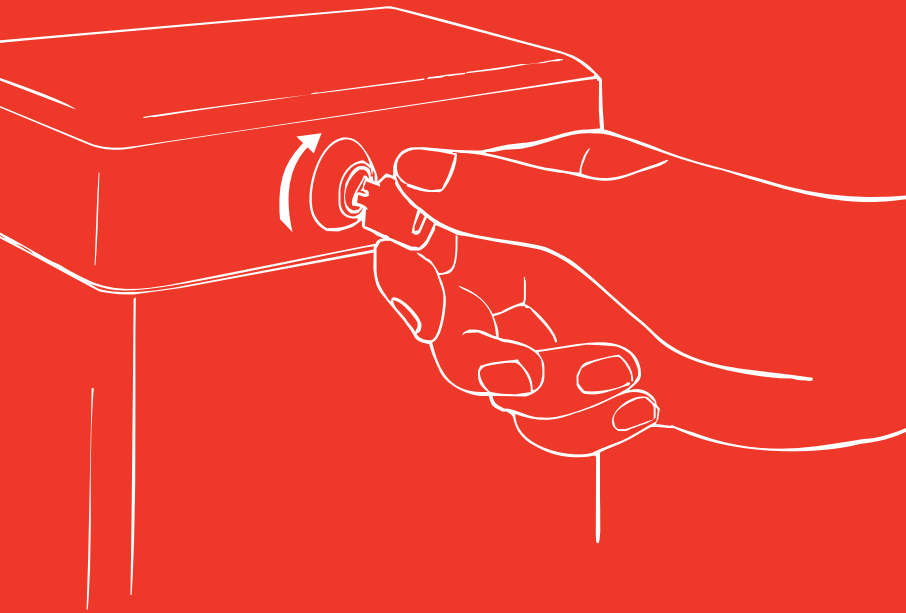
1. *Offer easy access*, to multiple and varied sources of financing and an established legal framework that responds to real and specific needs, and enables entrepreneurs to implement their business projects.
2. *Encourage the development of a legal framework* that makes it possible to cover the fixed costs of microfinance organisations and strengthens the development of business activity as a tool in the fight against unemployment and social and financial exclusion. Entrepreneurs must have all the necessary tools available to them such as advice, finance, support and follow-up, as well as help at the administrative and fiscal level. Without full support, setting up and running a business can be seen as being too difficult by many people who may not have the necessary knowledge and skills.
3. *Increase the number of guarantee structures*, people responsible for providing on-going support and for advising entrepreneurs (in the short and long term). This would help to develop entrepreneurial spirit, as well as enable the microenterprise entrepreneurs to access the traditional financial system, which would bring with it the possibility of accessing the necessary funds for the future development of their businesses.
4. *Offer financial and support tools* suited to the development of a viable project. Long term support would make it possible to guarantee the viability of the businesses and by doing so reduce the number of company closures.

-
5. *Encourage training to be part of the process of granting and managing the loans.* This would make it possible for the entrepreneur to evaluate the project and acquire the basic knowledge necessary to implement and manage the project. Amongst other things, training helps entrepreneurs to gain confidence in themselves. This has a positive, motivating effect, encouraging entrepreneurs to consolidate their ideas and projects.
 6. *Facilitate access to simple, easy to use information tools.* This reduces the fear associated with the creation or transfer of a business. It is important that the entrepreneurs have *free, rapid and easy access to the necessary information* so as to be able to implement their project. The creation of a business is a complex process in the majority of countries. The lack of information, and tools that are difficult to use, in many cases make the process of creating a business appear to be too complex and difficult to carry out. The fact that the services are free is an additional positive factor.
 7. *Offer high quality support before and after the granting of a loan.* This has a positive impact on the success of microfinance programmes.
 8. *Facilitate the leasing of equipment.* This can improve financial inclusion and help achieve both the entrepreneurs' objectives and those of government policies. The authorities should therefore consider that capitalising a fund for the purchase of equipment would be a profitable investment with a low risk of borrowers defaulting on repayments. Funds of this type should only be created when they can also offer support and follow-up services. Such arrangements enable entrepreneurs to hire the necessary equipment for the development of their business activity easily and at low cost.
 9. *Offer market access programmes* which incorporate personalised advice. This would help people participating in programmes to access the markets and offer competitive services, thereby avoiding their exclusion from globalised markets.
 10. *Encourage the combination of microenterprise programmes with Fair Trade arrangements.* This represents a new, high quality service for institutions that work with groups at risk of exclusion or vulnerable groups such as immigrants.
 11. *Foster the existence of platforms* that take care of all aspects outside the core activity of the microenterprise. This makes it possible to avoid the brake that the administrative aspects of setting up a new business can be, and reduces the time needed to fully establish a business.

The points mentioned above confirm that the services that microfinance institutions provide must be adapted to the characteristics of their target public, in the context and within the legal framework of the country in which they operate. They contribute to maximising the efficiency of the measures implemented.

Although all the best practices described here have demonstrated their effectiveness, and are innovative and varied in relation to the three sections defined, namely finance, follow-up and support of microenterprises and administrative measures, further studies of their impact will be necessary to assess their validity and effectiveness in greater detail.

Finally, in order for these practices to be transferred successfully, the context in which they will operate must be taken into account. However, it must not be forgotten that it is absolutely essential to widely disseminate information about these self-employment and business development initiatives that are being carried out in Europe, so that they can be transferred effectively.



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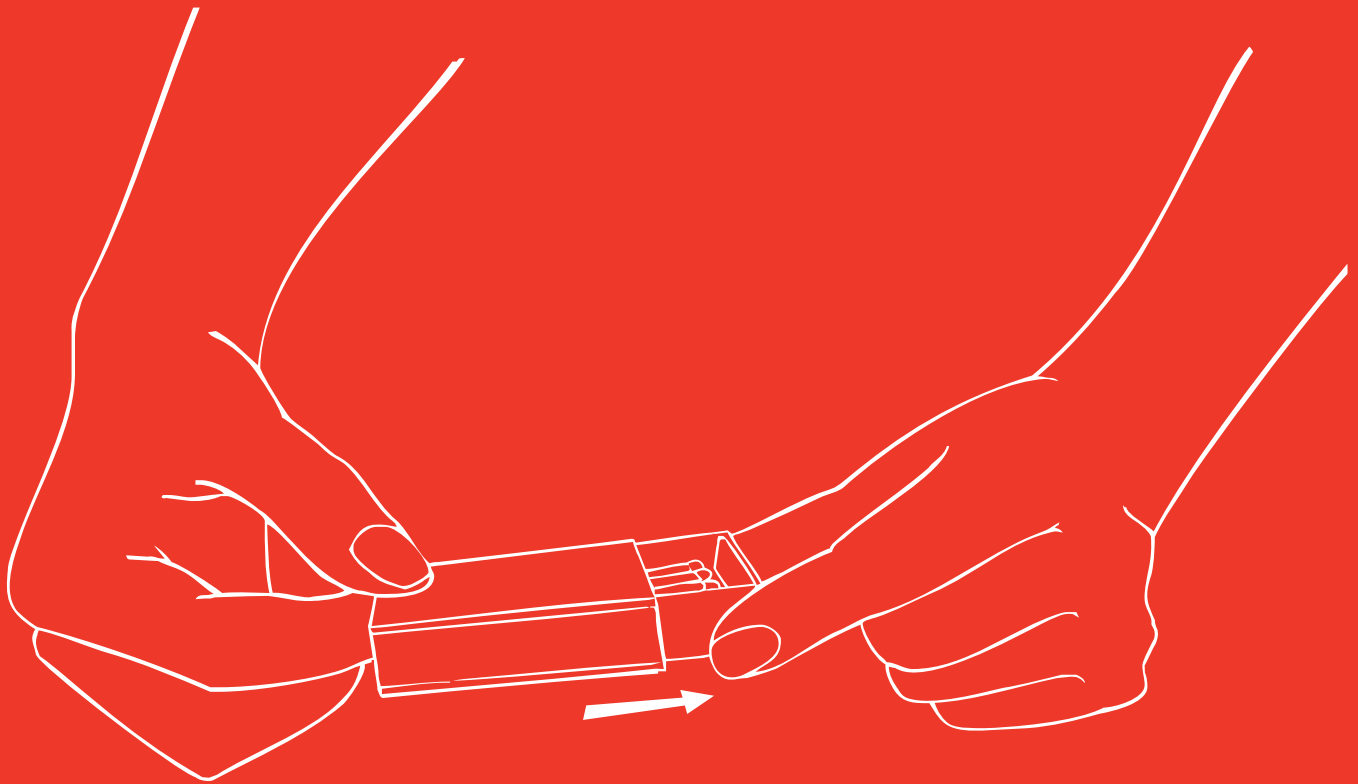
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