

Benchmarking micro-lending schemes and facilities in the CEFT Partner countries

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Cyfenter (UK-gb-77)
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Produced by Sylvie Feindt, SFC, EXZEPT Partner

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Foreword

While setting up the Transnational Partnership CEFT, it became clear that micro-lending and access to finance were issues to consider for all four development partnerships. Access to finance is a universal obstacle for business promotion and growth, especially to the disadvantaged groups targeted by the Equal programme: women, the unemployed, migrants, disabled and socially disadvantaged groups.

Most of the CEFT partnerships include organisations or banks such as Mama Cash, Princes Trust, the GLS Bank or Chwarae Teg which specifically look at the issue of micro- or peer lending schemes. It was thus decided that the German partnership EXZEPT was to organise two workshops on the subject with the aim to exchange experiences amongst the partners, identify best practice and mainstream them as far as possible as well as to disseminate the results to a wider European audience.

A first workshop in October 2002 in Offenbach presented practices and experience from the four countries involved – the Czech Republic, the UK (Wales), the Netherlands and Germany. The workshop report is available on www.exzept.de.

To go a step further we are now presenting a report analysing and comparing the background, micro-lending programmes/facilities and products and methodologies from the CEFT countries. This paper is a common piece of work which would not have been possible to realise without the help of the partners in the four Trans-national Equal partnerships: Cyfenter, EXZEPT, Flevoland and TwaEn. We would like to thank all those, who contributed and commented the paper.

Sylvie Feindt
SFC

Executive Summary

The partners in the Transnational Partnership CEFT agreed to perform a benchmarking exercise on the micro-lending schemes available in their respective regions and countries. The idea behind this exercise was to provide an opportunity for learning and improvement in the relevant policies and initiatives for improving the access to finance to start-ups and entrepreneurs from disadvantaged groups. Despite our efforts, the picture presented remains patchy and varies considerably across countries. However, we feel that this paper presents a valuable overview on the countries/regions and schemes of the CEFT members.

After presenting the very diverse overall environment in each of the CEFT countries/regions, we analysed data on 8 specific micro-lending schemes and facilities. The programmes and products are hardly comparable, diverging in scale and scope, target groups, credit amounts, interest rates and repayment schemes. All but the two German programmes cover the entire territory of the country/region. None of the schemes investigated in the paper pursues a classical micro-lending approach with step-lending after a minimum time of trading. Within the schemes we examined, we need to distinguish between social micro-lending- an approach under which the money partly in the form of grants and accept high defaulting rates - and micro-lending aimed at self-sustainability.

Accessibility and support through-out the application process was reported as a condition for the broad usage of schemes. This holds in particular for programmes that are not linked to a specific start-up centre but are provided on a regional or national scale. Despite the discrepancies of the micro-lending programmes, their selection procedures, the paperwork required and the organisational structure of the selection bodies bear some similarities. All schemes but the Aunt Agathy tax facility require a business plan, an application form, a financial plan, past and forecast finances where available, and other forms of information deemed appropriate. An interesting exception among the procedures is the electronically supported tool that allows for a fast track application for loans up to £10.000 in the Finance Wales micro-loan scheme.

An area for future efforts appears to support after the business creation as well as the ongoing provision of loans. Currently no, or only voluntary, support exists in the schemes examined in the Netherlands, Germany and the Czech Republic. Only the Welsh schemes provide continuous support for the entrepreneurs.

The availability of funding and guarantee schemes seemed to be no issue in Wales, the Netherlands or the Czech Republic, as long as the political will to support and prolong the schemes is there. Although all Czech schemes end in 2004, confidence was expressed that they will be prolonged or replaced with similar schemes. The two local schemes examined in Germany will terminate when the programme finishes or the guarantee fund is depleted. A continuation/re-launch will take considerable effort and resources to acquire new funds. One potential problem with public schemes such as Bbz or facilities such as Aunt Agathy is the lack of detailed data on participants in the schemes, distribution over the country, and success or failure rates. Even a successful public scheme needs to prove to politicians and the public that it achieves its defined objectives.

1. Introduction

1.1. Benchmarking micro-lending schemes

The issue of enterprise creation policies came onto the agenda of most EU policy makers after the first petrol shock in 1973. Unemployment problems and increasingly constrained public budgets added to the growing importance of the policy, and entrepreneurship was recognised as a main source of new employment, especially during the recession phase. Unemployment remains an important factor affecting the enterprise start-up phenomena, and self-employment remains a path to re-employment.[1]

Lack of finance for basic investments is generally the most prominent barrier for creating a new firm. This is especially true in relationships with institutional sources of finance (banks, etc), since business founders are typically short of collateral, which weakens their position in financial negotiations. This holds in particular for business founders from disadvantaged groups. Start-up capital for new firms comes in the majority, from the founder's personal savings. Private loans coming from family or friends are also an important source.

1.2. Focus and scope of the paper

The partners in the Transnational Partnership CEFT agreed to perform a benchmarking exercise on the micro-lending schemes available in their respective regions and countries. The idea behind this exercise was to provide an opportunity for learning and improvement in the relevant policies and initiatives for improving the access to finance to start-ups and entrepreneurs from disadvantaged groups including women, migrants, unemployed and disabled.

Benchmarking involves looking at focussed core processes along two dimensions: performance and practice.[2] We do not aim to provide performance ranking for the countries/regions and the schemes. In fact the schemes included in this exercise are very diverse in terms of approach, target group and scope, which make a comparative analysis difficult. The framework conditions are equally diverse, which means that what might work in one place may not work in another. However, we aim to identify gaps and differences in performance to stimulate new thinking into developing, improving and implementing framework conditions and schemes for access to finance of business founders from disadvantaged groups.

The following issues were identified to be systematically compared between the four countries:

1) The **overall environment** including the regulatory environment, tax incentives and access to financial support systems for the business founders from disadvantaged groups in the start-up phase.
2) The **product** including access conditions, target groups and target numbers, collateral requirements and collateral substitutes, duration,

1 Observatory of European SMEs. Business demography in Europe 2002/No.5.

2 Bessant,J./Rush,H., Benchmarking Framework conditions. Paper presented for the Benchmarking co-ordination Office, November 1999, www.benchmarking-in-europe.com.

interest rate and repayment conditions (e.g. no interest in the first year), maximum credit amounts, etc. Products will need to be viable and diverse to be accepted by borrowers. The focus will be a non-patronising, user-centred approach (ease of process, paper work, etc.).

3) The **methodology** including procedures of approving the loan and the follow up; peer-lending elements, flexible loan procedures, repeat lending. Which is the function of the bank, if any? What is the function of the founder initiative, if any? The process orientation will also look at the improvement of acceptance with users and commercial banks.?

4) The availability of **funding** for the micro-lending and guarantee schemes, including sources for a loan loss fund, acceptance with commercial lenders, etc.

In the benchmarking exercise we decided to include the following eight schemes:

- Besluit bijstandsverlening zelfstandigen, Bbz (NL)
- Aunt Agathe Scheme (NL)
- Prince's Trust Cymru (Wales)
- Finance Wales – Micro Loan Fund (Wales)
- KIZ Auf Geht's (D)
- Enigma Siebte Säule (D)
- START (Czech Republic)
- KREDIT (Czech Republic)

After presenting our data collection methodology we will give a brief overview of the structural situation influencing access to finance in the in the Netherlands, Germany, the Czech Republic and Wales. We also present the schemes used for the benchmarking exercise from the respective countries. In the following we will provide a comparative analysis of the eight micro-lending schemes and facilities listed above. The key issues are access conditions, type of support, credit conditions and selection procedures.

1.2. Data collection

This analysis is based on multiple sources:

- A data collection form developed by Brigitte Maas/Falk Zientz[3] for the data collection on micro-lending initiatives in Germany was translated, slightly extended and used for the data collection for this benchmarking exercise. The form was completed for the eight schemes mentioned above. Members of the responsible ministries completed the forms for the two Dutch facilities. The Welsh and the Czech partners organised with representatives of the respective organisations the completion of the forms for the schemes in their territories. Data collection took place between June and September 2003.
- Desk-top research on methodology and micro-lending. Particularly rich in information are the benchmarking in Europe Website initiated by the European Commission (www.benchmarking-in-europe.com) as well as the EXZEPT micro-lending news of the GLS Bank (www.microlending-news.de). Country reports on micro-lending in the UK, Germany, Belgium

3 Maas, B. / Zientz, F., Erhebung zu Microlending-Initiativen von freien Trägerorganisationen in der Bundesrepublik Deutschland - Berlin, Sept. 2002 (unveröffentlichtes Manuskript des Teilprojektes "Gründungsfinanzierung" der deutschen EQUAL-Entwicklungspartnerschaft EXZEPT).

and Ireland and the Netherlands from 1998 can be found on www.iff-hamburg.de.
- Background papers of the CEFT partners on the situation of START-ups in their respective countries/regions.
- A workshop of the partnership on micro-lending held in Offenbach on 11 October 2002 as well as study visits and presentations on Bbz, the Aunt Agathy Scheme, Princes Trust Cymru and Finance Wales in the first half of 2003.

3. The situation the CEPT Partner countries/regions

3.1. The Netherlands

Start-ups and legislation

Policy measures supporting the steady growth of the amount of new firms in the Netherlands focus on more start-ups, less bankruptcies, fewer stigmas on failure and taking away growth barriers. Within 1995 and 2000 on average 75.300 new registries in the trade register were made annually. In this period the Netherlands achieved a net company creation rate of 4.7% – one of the highest in the EU.[4] Since 2002 however business start-ups have decreased considerably.

In 1998 the Dutch Ministry of Social Affairs estimated that, annually, 1,600 to 2,000 individuals start an enterprise while having a social benefit income.[5] In parallel to the developments, in Germany we expect that this figure has considerably increased. The GEM report 2002 for the Netherlands found that more than half of the individuals that plan to start up a business need 25.000 € or less start-up capital.[6]

As the Establishment Law is considered an entry barrier to potential new founders, the Dutch government aims that by 2006 all requirements will disappear and the law itself will be withdrawn. Also bankruptcy Law has been changed in order to give entrepreneurs, who have serious financial problems a possibility to make a new start. The period to collect a remaining debt has been reduced to a maximum of five years if no malicious intention is proven.[7]

Micro-loan and other facilities[8]

In the Netherlands there are two public facilities to provide business founders and entrepreneurs with capital. The Aunt Agathy Facility (TAR) was introduced in 1996. The name comes from the aunt of Mr Ford, who was able to START his car company with the first loan from his aunt Agathy. The Aunt Agathy Facility is a

4 In comparison in the same period Germany achieved a net creation rate of 3,1%,the UK of 0,6% and the Czech Republic a net rate of 10,2%. Observatory of European SMEs. Business Demography in Europe 2002/No.5, p.15.

5 Facet BV, Benchmarking in Microlending. The Netherlands. Country Report, September 1998.

6 Bosma, N., Wennekers,S. Entreprenuership under pressure. Global Entrepreneurship Monitor 2002. The Netherlands, November 2002, p.33.

7 Observatory of European SMEs. Business Demography in Europe 2002/No.5, p.49.

8 This chapter is based on a presentation of Marilou Keller at the micro-lending workshop in October 2002 in Offenbach (www.exzept.de), two presentations by Mr. V.d.Velden, Department of Social Services Amsterdam, Ms. Wolffgramm, Tax Office Amsterdam as well as information provided by Ms Schroevers, Ministry of Social affairs and Mr.van Oostveen, Utrecht Domein Winstbelastingen.

fiscal facility provided by the government that makes it financially attractive for private individuals to lend money to starting entrepreneurs. With the introduction of a new law on income tax (IB2001) in January 2001 it has been incorporated in the wider facility called dare capital. The minimum loan is 2,269€. A subordinated loan can be provided directly by a private individual to a starting entrepreneur who is not his/her legal partner or business partner. Indirectly holding companies, referred to as Aunt Agathy Funds[9], can provide capital to start-up to entrepreneurs. Loans by the investment companies cannot exceed 226,890€. The holding companies as well as private individuals participating in the holding companies are eligible to tax reductions.

The second scheme is regulated by a supplementary decree called 'Besluit bijstandsverlening zelfstandigen' (Bbz). The Bbz targets people on social security schemes, unemployment benefits, disability benefits or people threatened with unemployment. [10] The scheme comprises a pre-start phase, benefit for livelihood and credits. This orientation phase or pre-start phase is meant only for receivers of social benefit, who are capable of running a business but are not yet fully prepared. During the orientation phase of one year, they get individual supervision and training by business advisors to increase their entrepreneurial skills to an acceptable level and write and present their business plan of the running business. However, in order to avoid unfair competition between pre-starters and existing entrepreneurs, one of the restrictions of the scheme is that a beneficiary cannot work more then 23 hours. (In order to get tax reduction as an entrepreneur one should at least put 1225 hours of labour into the business which is about 23 hours a week, so with the restriction of less then 23 hours one can not benefit from the tax reductions).

During this year the social benefit allowance is continued and the pre-starter is exempted from the job application requirement. When necessary, the starting entrepreneur can get a maximum pre start capital of € 2,469. When the pre-start proceeds to create a business, he/she has to pay the received capital back. If he/she renounces the project, the received capital turns into a grant and no pay back is required. When presenting an accepted business plan the starter is entitled to a loan of up to 29,889 € (interest of 6%, payback time: 5 years, which can be expanded to 10 years). The loan is meant for investments, debt settlement, etc.

In addition to these two nation-wide programmes there are a number of smaller private initiatives such as Mama Cash, "Erk en Ondernehmen in Leiden which aims to support underprivileged entrepreneurs, DIMO in Assen focussing on minorities including gypsies, caravan dwellers, ex-prisoners, etc, or STASON in Rotterdam focussing on women entrepreneurs.[11]

In 1996, more that 1,100 loans for about 96,5 million Dutch guilder were provided by the Aunt Agathy facility. In 1999 the figure increased to about 3,200 loans totalling more than 350 million DFL.[12] It was not possible to receive more recent figures from the responsible ministry. Although the facility seems very successful, there are considerations to alter the scheme. The number of loans accredited under the Bbz scheme fluctuates strongly per year, amounting to

9 An example is the Rabobank 'Tante Agaath" BV. In the starting-phase of the programme, the fond provided more than 600 million Dutch guilders (about €272 million) under this regulation in one year. Facet BV, idem.

10 The scheme also covers established entrepreneurs with temporary financial problems and elderly entrepreneurs, entrepreneurs finishing their business, which is neglected in the framework of this paper.

11 FACET, Who is who in supporting local and micro finance, 2001, www.localdevelopment.org.

12 FACET, Getting the framework right: Public support frameworks and strategies for local and micro-finance. Case study Aunt Agaath Facility, 2001, www.facetbv.nl.

between 2000 and 4000 for the whole of the Netherlands. These facilities, in addition to traditional financial institutions, ensure that access to capital is not a major barrier in the Netherlands, including for business founders from disadvantaged groups. Accordingly, a representative of Mama Cash, an organisation founded in 1983 to improve women's access to finance, in a micro-lending workshop in October 2002 in Offenbach, declared that Mama Cash has largely achieved its emancipational goals in the Netherlands. It is now looking into new issues such as sustainability.

Income support
In parallel cases, entrepreneurs on the Bbz scheme receive income support for up to three years, if necessary. In order to be entitled for this extra income support the presented business plan (no paper start-up) is reviewed and needs to be accepted as a feasible business option with sufficient potential. This benefit is reviewed every six months. It is expected that the founder makes enough money with their start-ups after one- two years. Upon presenting a business plan, founders from these groups can also apply for a loan following their business creation.

3.2. Germany

Start-ups and legislation
In 2003 about 700,000 companies were created (2001: 728,978; 2000: 755,172 new businesses were registered[13]). About 250,000 companies are created out of unemployment. Self-employment thus has a considerable relevance for employment policy.[14] The survival rate of self-employment start-ups are similar to classical business creations and create beyond the self employed on average one additional job.

Due to very high unemployment rates and resulting financial problems for the public pension fund, state revenues[15] and the fund for the payment of unemployment and social benefits, the government has made employment creation a top priority. This includes also the creation of new business by low income groups. To this end the government has launched the initiative "Ich AG", a new instrument to support the creation of business by unemployed or by persons who are in government sponsored employment programmes (see below). And indeed since the creation of the scheme, Germany has experienced a boom of micro business creations. In 2003 nearly 157,000 persons received the bridging allowance and nearly 93,000 persons a business creation support. In comparison, in 2002 a total of about 123,000 persons receive the bridging allowance. Self-employment is thus still increasing.[16]

In addition, the government is trying to deregulate the Handicrafts Regulation Act to facilitate the start-up by companies in the craft sector. In 2000 the European Court of Justice decided that the Handicrafts Regulation Act violates the principle of free circulation of services in the European Union and requested a change in the legislation. A special report of the German Monopolkomission of May 2002 demanded to abolish the requirement of the "Meister" title to set-up a company.

13 www.destatis.de

14 Maas, B., Selfemployment in Deutschland – Bedeutung, Herausforderungen, Aussichten, www.microlending-news.de

15 In 2003 the Federal Government will have to make new debts of more than 30 Mio Euro to finance its budget. Neuverschuldung über 30 Milliarden Euro, Netzeitung.de, 24 April 2003.

16 Aktuelle Meldungen, www.microlending-news.de

Chambers of Handicraft are opposed to the deregulation. However, the business start-up rate in the craft sector is only 4% compared to 13.7% in the whole economy.[17] This regulation presents a particular barrier to non-EU immigrants[18] as it requires craftsmen to have a German "Meister" to start-up their business. Titles obtained in third countries are not recognised. To create a business some immigrant hairdressers, for instance, pay a German with the Meister title for appearance or obtain an exemption from the law from the public authorities responsible for aliens. This however limits their potential to engage staff. In other European countries these barriers are lower with the consequence that unemployment among immigrant groups is higher in Germany.[19]

Micro-lending schemes

With respect to the financing of micro-start-ups there is a deficit in Germany. According to the DtA START-up monitor, every second founder needs start-up capital. From those who need capital, two-thirds need less than €25.000. At the same time 31% of the self-employment founders who failed give the lack of capital as the reason for the abundance of the self-employment.[20]

There are currently about 22 micro-credit initiatives, including the programmes of the Deutsche Mittelstandsbank as well as communal and regional programmes. However, a lot of these programmes are very small and are limited geographically and to certain target groups such as persons under 30, women or migrants in a specific location. The programmes of the 'Start-Geld' and 'Micro-loan' are German-wide. The prior was introduced in 1999. Under this scheme the house bank of the founder can provide a credit up to 50.000 €. Between 1999 and the end of 2002 more than 22,000 loans were accorded. They averaged 30,000 €. Since 1 October 2002 the Mittelstandsbank offers a Programme called "Micro-Loan", which enables commercial banks to provide small loans to entrepreneurs who dispose of no or limited collateral. Via the European Investment Fund the Mittelstandsbank provides 80% security for the loan. In addition, fixed administration costs were make the small loans attractive for commercial banks.[21] In the first 11 month of the existence of the Programme Micro-loan 2000 loans were accorded with an average credit amount of 19.000 €, every 7th Creditor less than 10,000 €.[22] No substitution effects have occurred with the introduction of the Micro-loan by the Mittelstandsbank, the number of Start-Geld credits has remained stable.[23]

However, the downscaling programmes of the Mittelstandsbank, in which commercial banks provide credits subsidized by the state as micro-loans, have a fundamental problem: Micro-loans are purely defined by the credit amount. Commercial banks will not alter methods of credit accreditation only because a publicly subsidised product is provided. The used document based analysis is however insufficient to determine the creditworthiness of the micro-lender, leading to high defaulting rates. If such micro-loans keep being accredited on the basis of criteria for normal business credits, most founders will not get access to capital. Successful micro-lending however requires a close contact to the business founder and the creation of synergy effects between coaching and financing. The close contact will considerably lower the risk if priority is given to the most

17 Clement pocht auf Reform der Handwerksordnung, Handelsblatt 10.04.2003; www. Monopolkomission.de

18 Citizens of EU member states have the right to set-up a craft business in Germany without the „Meister" title.

19 See footenote No.4

20 Maas, B, Selfemployment in Deutschland – Bedeutung, Herausforderungen, aussichten, www.microlending-news.de.

21 Förster, O., Microlending und das Hausbankprinzip, www.microlending-news.de.

22 DtA, Jahresbericht 2002.

23 Jochen Struck, KfW Bank, at the conference „Mein Chef bin ich" on 1 October 2003 in Frnkfurt.

creditworthy micro-founder. In fact German banks such as Deutsche Bank and Commerzbank are practicing successful and profitable micro-lending, but they do it outside Germany.[24]

Loans of start-up centres are much smaller: the maximum credit range lies between 5,000 and 15,000 €, with de facto credits provided lying rather in the range of 4-8,000 €. The author estimates that all start-up centres and regional and local programmes have provided a total maximum amount of about 800 loans in their existence. With rising numbers of self-employment, there is thus a lack of finance for this group, who will need very small loans. The large number of small initiatives with limitations on the target group specification and geographical coverage cannot really provide a satisfying large scale provision of micro-loans for entrepreneurs from disadvantaged groups.

Income support

In Germany business founder out of unemployment can now choose between bridging allowance and start-up support. Under the initiative "Ich AG", a person will receive a monthly benefit for three years (600 € in the 1st year, 360 in the second and 240 in the third), if the revenues of the created company are not surpassing 25,000 € per annum. The founder is required to contribute to the public health and pension insurance.[25] Whether or not the Ich-AG or the traditional bridging allowance described below is more favourable for the individual depends on the amount of the unemployment benefit, the expectations of the business development and social security contributions.[26]

Alternatively, starters out of unemployment (or employment) can obtain a six-month bridging allowance, which amount to their former unemployment benefits including social security contributions. In 1986 its first year of existence the programme supported 5,600 formerly unemployed people (1.8% of total enterprise start-ups in Germany). In 1999 this figure had risen to 98,000 equal to 18.8% of the total number of start-ups. The average bridging allowance amounted to about 5,000 €. However, there are considerable differences between men and women. Such publicly supported start-ups did not show higher death rates than average start-ups.[27]

3.3. The Czech Republic

Start-ups and legislation

SMEs play an important role in the economic life of the Czech Republic, accounting for 54% of the workforce and 51% of the output in industry, building, commerce and services. In the period 1995-2000 more than 158.000 companies annually registered with the business registry. In this period the Czech Republic achieved a net enterprise creation rate of 10.2%.[28]In 2001 the number of enterprises working according to the Trade Act amounted to more than 1.52 Million.

24 Evers,J./Kritikos,A., Von wegen Kapitalklemme: Deutsche Banken verleihen munter Geld – im ausland, in: Die Zeit 41/2003; Kritikos,A., Microlending und Microdarlehen: Zwei verschiedene Paar Schuhe – und keines paßt zu den Hausbanken, www.microlending-news.de

25 Die neue Ich-AG – Lohnt sich die Gründung? ddp, 20.1.2003.

26 IAB Kurzbericht, Ich-AG oder Überbrückungsgeld? Wer die Wahl hat, hat die Qual, Ausgabe Nr.2, 3.3.2003.

27 Wießner,F., Arbeitslose werden Unternehmer, Beiträge zur Arbeitsmakrt- und Berufsforschung Nr.241, Nürnber 2001.

28 Observatory of European SMEs. Business Demography in Europe 2002/No.5, p.23.

In the Czech Republic small businesses and start-ups suffer from a lack of interest from commercial banks. This difficulty is caused in particular by the widespread inability of small businesses and start-ups to provide collateral for bank loans and by deficiencies in the bankruptcy procedures.[29]

Micro-lending

As a result in the Czech Republic small loan schemes concentrate on small companies. In December 2000 the government has approved 17 different SME support programmes for the years 2001-2004. The most important support activities comprise counselling and training activities, and the KREDIT programmes START, SMALL LOANS, KREDIT and MARKET (support SMEs in trade). There are also micro-loans up to 1.600 € for the unemployed which can be accessed through a simple procedure from the ministry of labour. The loan can be provided very quickly, in some cases over a week-end. In some regions certain minorities are targeted and there are also schemes for disabled. However, the loans for the unemployed are not sufficient to start a business. Also, quite a high number of start-ups out of unemployment that receive a loan falter within the first two years of their existence.[30]

For part of the programmes the business development agencies are the entry gates to the credit. They run a scheme called SMALL LOANS for the Czech - Moravian Guarantee and Development Bank which targets small companies. The programme has been running for six years and loans are provided on bank-like criteria (turnover, investment, etc). Two other schemes for small companies and start-ups are KREDIT and START. Both schemes provide advantageous bank credits and are run by the Czech – Moravian Guarantee and Development Bank. For the START programme entrepreneurs are obliged to complete a one-month training course operation with a regional business support centre and to develop a business plan. In 2002 866 individuals successfully completed the course and 476 business plans were recommended by the regional development centres for realisation with state funding. In the first five months in 2003 497 participants completed the course, 315 were recommended for realisations and 230 submitted applications to the Czech -Moravian Guarantee and Development Bank.[31]

The youngest programme is KREDIT- small loans. The network of regional development centres is the point of information, application submission, its evaluation and in the case of a positive recommendation, it hands over the application to the Czech Monrovian Development Bank for the final endorsement. Since its launch in April 2003 the KREDIT programme supported 384 existing companies with a total amount of 10 367 000 €.

3.4. Wales

Start-ups and legislation

In the whole of the UK 175,800 new companies registered for VAT in 2002, 6,110 of them in Wales. Whereas the UK experienced only a small overall net fall in companies registering for VAT in that year, Wales had a net loss of 680 companies. In the period 1994-2002 businesses registering for VAT in Wales

29 International Organisation for Migration, Micro and other enterprise development for migrants, September 1997.

30 Neugebauer,R., Micro-lending experience in the Czech Republic, CEFT Microlending workshop on 11 October 2002 in Offenbach, www.exzept.de.

31 Karasek,Z., National association for SME Development, Performance and strategy for 2003-2004, September 2003.

decreased by a total of almost 4,000 companies[32], so that at the beginning of 2003 76,310 companies in Wales were registered for VAT. However, the growth trend for assisted new start-ups in Wales continues: 2001/2002:2,784 and 2002/2003: 6,083.[33] These indicators based on VAT registration exclude many of the very small one-person businesses which do not register for VAT.[34]

Wales has had a tradition of employment in large scale industries, in particular mining and agriculture. Industrial change has made SME the backbone of the Welch Economy. While in the past Wales successfully focussed on attracting inward investment, in 2000 it adopted an Entrepreneurship Action Plan (EAP) focussing on home-grown businesses. This entrepreneurship Action plan can be understood as a concerted action that combines diverse activities to foster entrepreneurship in Wales. Activities include creation of role models, profile raising campaigns to promote awareness of self-employment, production of class room material, specialised support services, financing instruments, etc. For example, the Potentia Project assisted 2,300 people from under represented group to start up their own business in the period January 2002 to April 2003. This led to over 700 businesses being established and over 1,400 Jobs created.

Micro-lending

A survey from the Welsh Development Agency among 473 start-ups revealed that more than half of the business creations were financed by the entrepreneur him/herself. At the same time lack of start-up finance was cited as the largest barrier to set up a business. Although the UK has a well developed financial system, the flow of funds is uneven across the territory, with most transactions concentrated in London and South East England. Research undertaken by the University of Glamorgan demonstrated a poor representation of financial services including venture capital, merchant and investment banking and financial services.[35]

With respect to micro-lending two facilities exist: Finance Wales Micro Loan Fund and The Prince's Trust Wales – Business start-up Programme.

Established by the Welsh Development Agency and The Welsh Assembly Government, with the benefit of public, European and private sector backing, Finance Wales encourages small and medium-sized businesses in Wales to realise their true potential for innovation and growth. The objective is to invest £100 Million in Welsh businesses and social enterprises by 2008. Finance Wales further has access to another £400 million private funds. As a result 4,000 businesses are to be created in Wales and 10,000 jobs created or safeguarded. Finance Wales is a commercial undertaking aiming at sustainability beyond the initial project duration. Finance Wales provides micro-loans, venture capital, mezzanine finance, spinout support, pre and post investment support and community loans. It is however not a competition to commercial banks as the target group are enterprises which could not secure a loan from a private bank. Also credits are usually more expensive as with banks. Finance Wales Micro Loans range between £1,000 and £10,000.

32 Small business service, Statistical bulletin. Business start-ups and closures: VAT registrations and de-registrations 1980 onwards.

33 Review. The Entrepreneurship Action Plan 2002-3. www.wda.co.uk.

34 At the end of 2002, the threshold for VAT registration was £55.000.

35 Snee,H.R., An enterprise development bank for Wales. Enterprise Policy Paper Series No.1, Federation of Small Business/Welsh Enterprise Institute, www.glam.ac.uk (printed 9.9.2003).

The Prince's Trust Cymru has existed since 1986 and its start-up programme targets Young people between 18-30 who are disadvantaged, e.g. unemployed, underemployed poor/limited educational qualifications, etc. Start up loans are provided for up to £5,000 Expansion loans are also available for supported businesses who are aiming to expand after at least a year of trading. Any number of expansion loans may be awarded subject to an overall limit of total loan support from the trust of £5,000. Grants of up to £250 per business are also available to assist with market research in order to prove that there is a business. It also provides grants up to £1,500. It may be used to acquire tools or equipment or pay for transport, advertising, fees, insurance, instruction and training.

Finally, the Welsh Development Agency provides loans predominantly through the Wales Small Loan Fund (WSLF). The WSLF provides "gap" funding to indigenous Welsh SME's, who have the ability and potential to expand but lack the necessary investment. The maximum loan value is £50,000. The fund operates in partnership with Barclays Bank PLC, and if the loan is approved by the WSLF, Barclays are given the opportunity to review the application and to decide whether to lend up to the 50% of the agreed amount. The relationship remains with the WSLF at all times, but the partnership allows the WSLF to increase the number of loans it can make.

Finance Wales Micro Loan has an annual volume of £150,000. Up to June 2003 it had accorded 25 completions. The fast track procedure of finance Wales (see chapter procedure) aims to increase the number of loans to start-ups from disadvantaged groups to more than 400. Prince's Trust Wales provides an increasing number of loans per annum. In 2001/02 it provided credits to 369 starts, in the following year to 429 starts and for the year 2003/04 450 starts are proposed. This joint effort could increase the number of micro loans in Wales to above 850 per year. Considering the number of start-ups and the number of micro-credits available, the situation looks rather favourable as compared to other countries examined in the framework of this paper.

Income support

In Wales, people who have been unemployed for at least 6 weeks can participate in the Enterprise Rehearsal Project (ERP). It allows individuals to test out a business idea whilst still claiming benefits. Individuals will spend approximately 6 months on the project, but this is flexible, according to individual circumstances.

Any money earned must only be used for allowable and agreed business expenses. No personal wages may be taken. A separate account is opened for business purposes. All persons participating in the project are expected to be adequately insured if necessary.

Between 2000 and 2002 262 unemployed participated in the project; 102 of them have signed off and gone into self-employment This is about a 45 per cent conversion rate. Some of the participants are only on the scheme for a few months before they sign off.'

4. Comparative analysis of the different schemes

4.1. Comparative overview of key data

The table on the following page presents the key data of the selected eight micro-loan programmes and facilities with respect to its establishment date, target group, type of support, interest rates, repayment and loan figures. It is evident

that the scope and scale of the different schemes vary considerably, which makes comparing them a very difficult task.

Duration, scale and scope of the schemes
While the Dutch and the Welsh programmes are unlimited, the two Czech Programmes START and KREDIT end in 2004. A prolongation or replacement of the programmes is yet unclear. From the two German programmes ENIGMA Siebte Säule is to terminate in October 2004 and a follow up is uncertain. The KIZ Auf Geht's micro loan scheme is in principle indefinite, however, it suffers from the de facto need to refinance the micro-credit fund.

Whereas the programmes and schemes in the Czech Republic, the Netherlands and Wales cover the entire territory, the two German Programmes are limited to specific cities. Also in terms of target group the Czech, Dutch and one of the Welsh Programmes are rather large, including:

- persons on social benefits or persons threatened by unemployment in the Netherlands,
- all first time founders in the Czech Republic, or even more simply citizens of the Czech Republic aiming to start a business,
- all potential informal investors in the Netherlands or
- all SMEs/starters indigenous to Wales.

The two German schemes are local initiatives: the one in Offenbach is limited to disadvantaged founders under 30 and the programme in Hamburg to unemployed. Although Enigma Siebte Säule has achieved a considerable size in terms of loans provided in Hamburg, it is evident that long term oriented programmes covering its audience in an entire region or country can make a larger impact on the economic development of a region/country than a plethora of micro-projects.

None of the schemes investigated in the context of this study pursues a classical micro-lending approach with step-lending after a minimum amount of trading. Finance Wales, who target established companies, provides micro loans and considers repeat application. Being operational since 2002, Finance Wales has completed 25 loans in June 2003. There have not been repeat applications at the time of the data collection. The Czech START programme participation is aimed at start-ups requiring less than 6 months of trading. Other schemes such as Prince's Trust, Bbz, Enigma Siebte Säule and Auf Geht's provide loans without a minimum trading condition.

Within our micro-lending schemes and facilities, we further need to distinguish between social micro-lending and micro-lending aimed at self-sustainability. A social approach aiming primarily at the inclusion of specific disadvantaged groups is pursued by the Princes Trust Wales and the Bbz scheme in the Netherlands. Both schemes also provide grants. Princes Trust provides grants of £250 to start-up candidates to prove their business case. In accordance with its social mission, Princes Trust Wales accepts 48% of its credits to be partially or totally defaulting.

The Bbz scheme provides a maximum of €2,269 pre-start capital for persons considering setting up a business. If the business is created the pre-start capital has to be repaid, if no business is set up, the amount then turns into a grant.

Name	Establ.	Target group	Type of support	Repayments	Interest rate	Figures
Finance Wales Micro Loan	2002	SMEs indigenous to Wales	£1.000-£10.000; Repeat applications considered	1-5 years Monthly repayments, free three month repayment holiday available at the outset	Fixed rate at 6% with a 5% interest rebate available to business who have not defaulted	25 completions until June 2003; Annual volume: £150,000
Princes Trust Wales	1986	Young people between 18-30 who are disadvantaged	Start up loan up to £5000. Grants up to £1500 or £3000 for a group. Expansion loans are also available for supported businesses after at least a year of trading. Overall limit is £5000 Also grants up to £250 per business to prove business case.	Over 3 years £20 per month for six months (interest free). Capital repayments with 3% interest rate (administration fee) thereafter, normally over three years.	3%; 4% on expansion loans	2002/03: 429 starts; 2003/04: 450 proposed starts
Enigma Siebte Säule	Nov 2000	Start-ups from unemployed people who live in Hamburg	Start-up phase as a step loan: € 5.000/ 8.500 /12,500; the approval of the following step is provided when the last credit has been fully repaid. The credit can be and individual credit of a peer group lending (4-10 persons).	Max. 4 years Repayment free time: max 12 month	1% administration fee on the credit amount (paid once) 6.67% interest per annum	2001: 20 2002: 42 2003: 62 Total volume per year: 300,000€
KIZ Auf Gehts	2002	Disadvantaged business founders under 30	One time loan of max 5.000€	Max 5 years No repayment free time	Interest: at the level of DtA Startgeld minus 1%; No administration costs	2002: 3 2003: 8 Total fund of 75,000€
Aunt Agathy	1996	All potential informal investors in the Netherlands	Fiscal facility for a subordinated loan to starting entrepreneurs or private companies in the start-up phase; or loans to appointed holding companies Minimum loan: 2,269 € Maximum loan by investment companies 226,890 € per starting entrepreneur	Max 8 years	The percentage rate of interest cannot exceed the legal interest rate	1999: 3,180 loans
Bbz	1995	Person on social benefits or threatened by unemployment*	Pre-start capital of max: 2,469 € Credit: Max: 29,889 € Benefit for livelihood if annual income below benefit standard: loan	Over 10 years	Interest 5% on credit Benefit for livelihood: interest free	2,000-4,000 per year
START	2001-2004	First time founders in the CZR SMEs with <50 employees	Maximum of 50% of the total sum needed Max 16,500 € for single entrepreneurs or companies belonging to a single entrepreneur Max. 33,000 € if there is more than one company owner.	Max.6years in equal quarterly instalments 9-12 months repayment free time interest free	Interest free	790 supported start-ups / total. 11,723,000 €
KREDIT	2001-2004	SMEs running their business in CZ or citizens of CZ aiming to start a business	a) loan max. 233,333 € b) loan max 133,333 € c) loan of max. 33,333 €	a) 6 years repayment period for selected regions b) 6 years repayment period for other regions c) 4 years repayment period for projects with RPIC or BIC recommendation	a) 4% interest b) 5% interest c) 3% interest	384 supported / total 10,367,000 € but there were no start-ups supported by the KREDIT programme

* The scheme also addresses established entrepreneurs, elderly entrepreneurs, entrepreneurs finishing business and labour handicapped. Benefits for each group differ.

Bbz could not provide figures on repayment of credits. Both schemes are widely considered as a success creating chances for work and self-respect for the unemployed/socially inactive. Other schemes are more repayment focussed to ensure sustainability as Finance Wales or to avoid a rapid depletion of the CREDIT security fund as in the case of the two German schemes Enigma Siebte Säule and Auf Geht's. Enigma however abstains on judicial objection on purpose. Creditors of the two Czech schemes START and KREDIT as well as Auf Geht's risk to be taken to court in case of credit defaulting.

Type of loans and repayment conditions
Also in type of loans and repayment conditions the schemes vary widely. Credit amounts can range from a few hundred Pounds from the Princes Trust to 230,333 € under the Czech KREDIT Programme, which de facto did not support Start-ups. However, on average loans under the Czech KREDIT programme amounted to about € 27,000. Interest rates also varied. In the above schemes, for example the Czech START programmes provides an interest free loan to business founders and the KREDIT Programme an extra lowered interest loan of 3-5% to SMEs, Enigma's creditors pay 6.67% interest plus a one off administration fee of 1% of the credit amount. Repayment periods range from 1 year to 10 years.

4.2 Accessibility of the schemes

Accessibility and support through-out the application process is certainly important to ensure broad usage of a scheme. This holds in particular for programmes that are not linked to a specific start-up centre but are provided on a regional or national level. The Bbz scheme in the Netherlands is run by the municipalities so that potential programme participants have local access to the programme. In the past, urban areas such as Amsterdam have much more programme participants than more rural municipalities. The Dutch Ministry of Social Affairs and Employment is trying to stimulate the co-operation of different municipalities, to increase the usage of the scheme in currently underrepresented areas. The Aunt Agathy facility technical assistance though-out the application process is provided for those interested in making an appeal to this facility either through direct consultation at the public tax services (appointed employee) or through internet services. There is also a special telephone service line for the Aunt Agathy Foundation.

The Czech programme START uses the 35 regional advisory and information centres (PRIC) as an entry point to the KREDIT programme: all successful applicants must provide evidence of completion of an approved business course and elaborate business plan in co-operation with a business support centre.

Princes Trust Wales has 14 Enterprise Development Officers throughout Wales, which are supported from the administration team in Cardiff. To lower barriers for their target group they have introduced an approachable "Walk-in officer". Co-operation, agreed to send their clients to Finance Wales which could increase number within their target group. Finance Wales has Investment Officers within 5 regional offices, who can make initial judgements and refer to the Investment Support Programme.

For none of the programmes, a commercial bank is the first access point.

4.3. Selection procedures

Despite the divergences of the micro-lending programmes the selection procedures, the paperwork required and the organisational structure of the selection bodies bear some similarities. The only really diverging programme is the Aunt Agathy facility, which is in fact a tax facility and not a classical support programme. Accordingly there is no requirement for a business plan nor a selection procedure as such in the direct scheme. To apply for the scheme the entrepreneur merely has to apply for a declaration from the tax-office that he/she is considered a starting entrepreneur. The tax-office will take into account the history of the last 10 years and apply to the tax office for a dispensation. A loan agreement between the borrower and the lender has to be drawn up defining the terms of the loan and stating its accordance with the scheme. [36] If the loan agreement under the Aunt Agathy Regulation is done directly, the agreement must be registered within 4 weeks at the Inspector's office of Registration and Succession after it has been closed between the parties. If not, the investor will not benefit from the different facilities.

Requirements

All other schemes require a business plan, an application form, plan, past and forecast financials where appropriate, and other forms of information deemed appropriate. Under the Bbz regulation, the financial viability of the business is judged by an advisory organisation on the basis of a business plan. In addition, the candidate has to be in possession of the necessary licences, permits and meet other requirements (i.e. in the field of environmental laws, zoning plans). In the Netherlands a licence to establish a business is required for building companies, (electro technical) installation and transport companies, butchers and bakers. Special permits are also needed for market and ambulant trade.

Also under the Czech START programme the candidate has to provide a trade license authorization issued in the Czech Republic according to a statutory law specially passed for this project. The required recommendation from a national business support centre must not be older than 2 months. The entrepreneurial activity must start at least 6 months before the request for the subsidy is submitted, a proof of this is a document from the Revenue Authority. The application has to include the applicant's name (details of identification), information about the project, expenditure, trade license, registration with the Revenue Authority and a statement from the applicant.

Other programmes require specific information with respect to the financial situation of the candidate. As the Trust is a lender of last resort, the applicant must prove that he/she is unable to raise money from other sources. The Fund does promote match funding (£1 for £1 from other sources where possible). Credit checks are carried out prior to awards.

Siebte Säule requires a business plan and information on the cash flow (first proofs with respect to the expected turnover). The monthly KREDIT rate can have a maximum of 75% of the monthly cash flow. Current revenues/turnover have to be proven. In addition, the candidate has to provide self-information and Schufa self-information (creditworthiness). Similarly the second German initiative Auf Geht's requires a business plan according to the KIZ standard, self information, Schufa self-information (credit worthiness), a copy of the ID card, a CV of the applicant, evidence of state of unemployment at the beginning of the Auf Geht's

36 The loan is at least 2,269€, subordinated, used for funding mandatory enterprise capital and the interest rate does not exceed the legal interest rate. It needs to confirm that the lender has not borrowed money himself to provide the loan. Finally it needs to contain Name, social security number/tax number of lender and borrower.

cycle and finally a declaration to the Deutsche Bank Stiftung regarding the need of the support.

Selection procedures

The Bbz scheme is handled in a decentralised manner by the municipalities. There is no single general procedure and selection criteria to select applicants. However the ministry of social affairs and employment has sent information/letters over the years to the municipalities to explain the criteria etc. The municipalities can choose to make use of advisory organisations to advise whether to give the loan or not. Although they are not obliged most municipalities use these services. Advisory organisations are compensated for the costs of the advice to a certain maximum. If an advisory organisation is used, the application and selection process are similar to the ones of Princes Trust, Enigma Siebte Säule and Auf Geht's, described below.

The procedures of the three programmes Princes Trust, Enigma and Auf Geht's start with a personal interview to either determine personal circumstances, personal characteristics, validity of business idea or to discuss loan conditions and requirements. If required Princes Trust refers the applicant to an Enterprise Agency for formal business training. Enigma and Auf Geht's provide training, advisory or coaching measures if necessary. The young persons who can apply to the Auf Geht's micro-loan are part of a larger training scheme. When the business plan is ready the coach or Development Officer analyse it in a face to face interview and make an initial judgement. An awards committee reviews the business plan and interviews the applicant. The Auf Geht's and the Siebte Säule selection committees decide on the basis of the Guideline/check list.

Under the START programme the entrepreneur is obliged to supply as a part of the request a certification from the National Association for SME development issued in his/her name. Further she/he has to produce a business plan prepared in co-operation with one of the national business support centres, which cannot be older than two months by the time of submission. All property rights connected with this project must be clear. The applicant also has to produce evidence of completion of an approved business course. The Czech-Morovian Guarantee and Development Bank has the right to grant the subsidy on the bases of evidence that all the necessary requirements have been met.

IT supported selection procedure

Unique among the enquired programmes is the software supported procedure of Finance Wales. The micro-loan provider endeavours to give micro applications a decision within 24h of receipt of all necessary documents. To speed up the decision process, Finance Wales has invested in a new system to fast track applications for loans up to £10,000. A bespoke credit scoring system has been developed to enable applications for micro-loans to be processed almost immediately. The Finance Wales investment experts can with the support of the software carry out all necessary checks on site with the customer and give an instant decision whether to accept, refer or decline applications. Refer decisions are investigated by the investment officer with the client before the application is presented to the Fund management for final decision. The target is to make 400 fast loans a year to promising business enterprises. Arrangements have been made with the Princes Trust to refer its clients onto the express track.

Selection committee
Award committees of the programmes vary again considerably. The Trust's Award panel is composed of six local business people who offer their time voluntarily to review the applications on a monthly basis. The Siebte Säule committee consists of three persons, the project management Siebte Säule, an independent coach and a representative of the bank as well as two employees of the Siebte Säule as permanent observers. The Auf Geht's selection committee is composed of 2-3 persons, the Project manager of Auf Geht's, a former director of the Deutsche Bank AG and a tutor from the project.

There was no information on the selection committees at the Dutch municipalities (Bbz) and the Czech – Moravian Guarantee and Development Bank (START, KREDIT) available.

4.4. Post credit support

In most programmes post credit support is not very well developed. The Bbz scheme offers no support activities after the initial year (pre START- support). Also no support is provided to the Czech creditors as part of the schemes KREDIT and START. The two German programmes have no mandatory support programmes for borrowers in their micro-schemes. It is however provided on a voluntary basis. A participation in the comprehensive support measures of the Enigma incubator is possible; business coaching is provided if there is a concrete need (e.g. crisis management).

Continuous support to the young entrepreneurs is offered by the two Welsh programmes. Princes Trust offers post start support mainly by mentors. During their first three years of trading the mentor meets the young entrepreneur monthly and reports back. There is also occasional contact from the administration team and EDO's. Borrowers of Finance Wales have regular meetings with Finance Wales' Investment Support Programme and occasional contact with the Investment Officer, The Finance Wales' Investment Support Programme does regular reviews of the performance against the business plan, provides assistance identifying growth support and early detection of problems. Dialogue from businesses encouraged where problems arise allowing the appropriate form of assistance to be initiated early.

4.5 Monitoring and measures for defaulting credits

Most schemes have however procedures in place if the creditor is defaulting. Finance Wales primarily chases creditors that missed payments verbally, followed by two written requests before a default notice issued. Repayment breaks can be negotiated. Princes Trust Wales receives monthly loan repayment schedules from its headquarters in London. There are loan management systems in place but the organisation is looking to improve them. If a lender cannot pay for one or two months the amounts are just added on if the Trust has faith in the borrower. Reminders are sent out to the young persons and their mentor. Also the Bbz scheme allows for delay or temporarily reduced repayment amounts (max. 1 year, can be extended to twice in 1 year) be put on a lower amount. After those 3 years, or when it is immediately clear that the borrower cannot pay back, the loan and interest can immediately be claimed. There is however no general reminder procedure, the municipalities have their own policy.

Siebt Säule and Auf Geht's use a fund to secure the loan from the co-operating bank at a level of 100%. According to the fund philosophy, every credit should be paid back to avoid depletion of the security fund. Accordingly both organisations try to negotiate realistic individual pay back agreements with the creditors, for instance by lowering of repayment rates and prolongation of the repayment period. Repayment is done by bank transfer. In case of non-payment the banks initiate a mechanical reminder procedure and inform the two starter support centres, who immediately contact the creditor to define specific measures. After the second (Auf Geht's) and third (Siebte Säule) unsuccessful reminders respectively, the credits will mature and the claims of the banks pass to the start-up centres. The banks fall back on the credit security fund. Whereas Siebte Säule abstains from judicial objection on purpose, Auf Geht's proceeds in certain cases.

5. Conclusions

Despite our efforts the collected information and data on the programmes remains patchy and varies considerably per country. However, we feel that this paper presents a valuable overview on the countries/regions and schemes of the CEFT members.

Summarising the findings are grouped according to the four issues identified at the outset: overall environment, product, methodology and funding.

The **overall environment** varies considerably by country. The Netherlands have experienced high net business creation rates in the second half of the nineties. Effective schemes were in place to provide finance to different groups of start-ups including disadvantages groups. One of the schemes, the Aunt Agathy Facility is however currently under review. Also the Czech Republic experienced very high net business creation rates in the second half of the 1990's. As businesses suffered from a lack of access to finance the government introduced a wide number of financing schemes for start-ups and small businesses. Wales has achieved a turnaround with its Entrepreneurship Action Plan in the development of the entrepreneurial base and is consequently pursuing its path to foster in a long-term and sustainable approach to the development of home-grown business. As part of the concerted action, a wide range of financial support is now available to business starters and entrepreneurs. Also the German government is trying to achieve a turnaround of the German economy. Due to high unemployment rates and resulting financial problems for the public sector the German government has taken measures to deregulate the handicrafts sector and to support the creation of business by the unemployed. In fact, 2003 is seeing a boom in self-employment creation. Access to micro-credits remains, however, an issue despite a number of initiatives.

Living support schemes such as the bridging allowance in the Netherlands and Germany, the Enterprise Rehearsal Project in Wales or the 'Ich-AG' initiative seem to be making a difference for the creation of self-employment out of unemployment. Such schemes do not exist in the Czech Republic, where a business creation out of unemployment remains uncommon. Wales is however looking into introducing such a scheme.

Also the **programmes and products** are hardly comparable diverging in scale and scope, target groups, credit amounts, interest rates and repayment schemes. All but the two German programmes cover the entire territory of the country/region. None of the schemes investigated in the paper pursue a classical

micro-lending approach with step-lending after a minimum time of trading. Within the schemes enquired we need to distinguish between social micro-lending and micro-lending aimed at self-sustainability. The prior provide the money partly in form of grants and accept high defaulting rates as part of their mission.

In terms of **methodology**, accessibility and support through-out the application process was reported as a condition for the broad usage of schemes. This holds in particular for programmes that are not linked to a specific start-up centre but are provided on a regional or national scale. For none of the programmes a commercial bank was the first entry point. Despite the divergences of the micro-lending programmes the selection procedures, the paperwork required and the organisational structure of the selection bodies bear some similarities. All other schemes require a business plan, an application form, plan, past and forecast financials where appropriate, and other forms of information deemed appropriate. An interesting exception among the procedures is the electronically supported tool of Finance Wales that allows for a fast track application for loans up to £10.000.

An area for increased efforts in the future is the support after the business creation and or the loan provisions. There is currently no or only voluntary support in the schemes examined in the Netherlands, Germany and the Czech Republic. Only the Welsh schemes provide for continuous support of the entrepreneurs.

The **availability of funding and guarantee schemes** seemed to be no issue in Wales, the Netherlands or the Czech Republic, as long as the political will to support and prolong the schemes is there. Although all Czech schemes end in 2004, confidence was expressed that they will be prolonged or replaced with similar schemes. The two local schemes in Germany will terminate when the programmes finish or the guarantee funds is depleted. A continuation/re-launch will take considerable effort and resources to acquire new funds. A potential problem with public schemes such as Bbz or facilities such as Aunt Agathy is the lack of data on participants in the schemes, distribution over the country, and success or failure rates. Even a successful public scheme needs to prove to politicians and the public that it achieves its defined objectives.

6. Annex

Project Name:

Partner organisations (name and type, such as bank, founder support centre, town, etc):

Starting (and termination) date:

Access conditions	
General conditions (target group)	
Qualification/competence	
Economic viability of the business	
Paperwork required for mirco-credit application	
Examination/ decision making procedure	
Support measures for applicant	
Remarks	
Credit conditions	
Type of support (one time access, repeat loans; peer lending elements)	
Permitted usage by the creditor	
Credit amounts (min and max, average)	
Duration	
Repayment	
Costs, interest rate	
Collateral/ collateral substitutes	
Proof of usage of credit	
Remarks	
Monitoring/support after credit attribution	
Monitoring	
Support activities	
Crisis management	
Reminder procedure	

Risk coverage	
Remarks	
Organisational structure	
Support committees (members, competences)	
Decision making	
Implementation structure	
Remarks	
Figures	
No of Credit requests (2001/2002)	
No of Credit attributions (2001/2002)	
Total volume per year	
Loan losses per year	
Refinancing of Micro credit fond; loan loss reserve fond	
Remarks	