

## **Job Creation and Poverty Alleviation in Selected CEE Countries by Microcrediting**

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#### **Motto:**

*"Microfinance has proven its value, in many countries, as a weapon against  
poverty and hunger.*

*It really can change people` lives for a better, especially the lives of those who  
need it most."*

Kofi Annan, UN Secretary General

*Abstract: The Paper highlights the problems of the European economic crises relating youth unemployment and poverty. It draws attention to the EU Greek Presidency relation these issues. It presents the financial means calls microfinancing which partially could contribute to alleviation and poverty by creation of self-employment and development of microenterprises by providing microloans and microcredits. There is a lack of comprehensive study and exchange of practice in microfinancing in the Central-Eastern European - CEE - countries.*

*The paper summarizes the definition of the microcrediting and presents the current state-of-the art in the EU. Following this the Author summarizes the main microfinance institutions in selected CEE countries (CR, CZ, HU, PL, RO, SI and SK). RS is left out this study due to lack of government's recognition of the microfinance.*

*In the final session the Author gives professional recommendations and a directive on good conduct of microfinancing based on the outcome of the Workshop held in 2013 in Budapest, as well as summarizes recommendations for these countries to further steps.*

*Keywords: youth unemployment, poverty alleviation, job creation, microfinance, microfinance institutions, good conduct of microfinance*

*JEL classification: L21, L26, L31, O52*

## 1 Introduction

2013 reached the end. The hope of stabilising the European economy, overcome the economic crises, decrease the level of unemployment - especially among the young - has yet to be realised. According to Eurostat's October 2013 estimate, 26.654 million men and women in the EU-28, of whom 19.298 million were in the euro area (EA-17), were unemployed. Compared with September 2013, the number of persons unemployed decreased by 75,000 in the EU-28 and by 61,000 in the EA17 euro area. Of serious concern however is that youth unemployment rates are much higher than the unemployment rate for all ages. This reflects the general difficulties faced by young people in finding jobs. As rule of thumb, one out of every five persons available for the labour force is unemployed. Getting a job is the safest route out of poverty for those people who can and ready to work. This is a difficult task at the time of economic crisis, however there is no other way. If the EU could achieve by 2020 75% employment rate, it would be the biggest contribution in lifting many million people out of poverty.

While a lot of initiatives are being carried out by the CEE countries, there is still a need for more support for employment of young people. It is very important to emphasise that encouraging entrepreneurial spirit and supporting start-up initiatives should be considered. However, the question is how, by whom and by which means? And this is **the aim of the current paper to draw attention of the policy-makers and entrepreneurial support institution to the significance of the microcrediting and microcredit schemes** in selected CEE-countries.

## 2 Youth unemployment

The youth unemployment rate reached new historic high of 23.5 % in February 2013, more than twice as high as the adult rate, with some 5.7 million young people affected. Young

people that have only completed lower secondary education (early leavers from education and training) bear the highest risk of unemployment. In 2012, the EU average youth unemployment rate was 22.8%, but reached 30.3% for low-skilled

youth.<sup>1</sup> The rate of the youth unemployment in selected CEE-countries is summarised in Table 1.

	CROATIA	CZECH REPUBLIC	HUNGARY	POLAND	ROMANIA	SLOVAKIA	SLOVENIA
<b>Population in million</b>	4.4	10.5	9.97	38.5	21.4	5.4	2.05
<b>Unemployment rate in %</b>	13.5	16.7	10.9	9.7	7.4	13.6	8.2
<b>Youth unemployment rate in %</b>	36.1	18.0 (19.5)	26.1 (28.1)	25.8 (26.5)	23.7	33.2 (34.0)	15.7

Table 1  
Youth Unemployment Rate for population aged 15-24, in CEE countries – 2013  
Source: UNECE Countries in Figures, 2013

Remark: figures relates to year 2011, while youth unemployment rate in brackets - to 2012.

Youth unemployment not only has a personal effect on each individual and their families, it has an influence on public attitudes towards the structure of the EU itself. Since time immemorial migration has been the means to a better life. The principle of the free movement of peoples across the region is well established in the EU but there are serious economic inequalities among the constituent parts. Those countries, such as the UK, who have been able to develop welfare systems are wary of migrants coming from less generous countries in Central and Eastern Europe (CEE).

The current social and labour dimension in the European Union requires the enhancement of the social dimension in order to strengthening employment, social inclusion and protection. It is not by change, that Hellenic Presidency will work toward the adoption of the proposal to strengthen the Social Summit. A strong social dialogue is the prerequisite for addressing the complex challenges of social dialogue, and this will be discussed under the Greek Presidency.<sup>2</sup>

<sup>1</sup> European Commission, EU Youth Unemployment. Available from <[http://ec.europa.eu/europe2020/pdf/themes/21\\_youth\\_unemployment.pdf](http://ec.europa.eu/europe2020/pdf/themes/21_youth_unemployment.pdf)>, [20 January 2014]

<sup>2</sup> Greek Presidency of the Council of the European Union, 1 January 2014 - 30 June 2014, Gibbels Public Affairs

## 2 Poverty

The first and most important target of the Millennium Development Goals established following the UN Millennium Summit in 2000 is to eradicate extreme poverty and hunger. The main target is to reduce by half the rate of people living on less than USD 1 per day and also reduce by half the proportion of people who suffer from hunger.

24% of the European population (more than 120 million) people in Europe are living at risk of poverty and social exclusion.<sup>3</sup> This figure include 27% of all children, 20.5% of citizens over 65 years and 9% of those with a job.

	<b>Total</b>	<b>Children (0-17)</b>	<b>Adults (18-64)</b>	<b>Elderly (65 years and over)</b>
<b>EU-28</b>	24.8	28.1	25.4	19.3
<b>Croatia</b>	32.3	n.a.	n.a.	n.a.
<b>Czech Republic</b>	15.4	18.8	15.5	10.8
<b>Hungary</b>	32.4	40.9	32.9	20.6
<b>Poland</b>	26.7	29.3	26.7	23.4
<b>Romania</b> <sup>in 2011</sup>	40.3	49.1	39.0	35.3
<b>Slovakia</b>	20.5	26.6	19.9	16.3
<b>Slovenia</b> <sup>in 2011</sup>	19.3	17.3	18.7	24.2

Table 2

At-risk-of Poverty or Social Exclusion Rate by age group in 2012

Source: Eurostat<sup>4</sup>

Remark: n.a. - not available

<sup>3</sup> European Commission, 2014, *Employment, Social Affair & Inclusion*, Available from < <http://ec.europa.eu/social/main.jsp?catId=751> > [20 January 2014]

<sup>4</sup> EUROSTAT, 2014, *People at risk of poverty or social exclusion by age and sex*, Available from <[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc\\_peps01&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_peps01&lang=en)> [20 January 2014]

If we look the selected seven CEE countries with a total population of 92.2 million people, it is horrible, that 26.9 million people are living at risk-of-poverty or social inclusion. Every fourth citizenship is facing uncertainty for the today and tomorrow.

While the officials and civil servants in Brussels are dealing with the shape of banana and colour of the tomato, in fact nothing is happening in the field of job creation and poverty alleviation. The European Economic and Social Committee, the European Parliament and the Council in 2008 acknowledged, that more than 80 million people across the Union lived below the poverty line, that is, more than the population of our largest Member State, or 16.5% of our population. Women account for well over half of them and 20 million are children. With the economic crisis, the situation has of course worsened. The situation of those earning the lowest amount has continued to deteriorate and they now face a greater risk of indebtedness and insolvency. This is totally unacceptable in the 21st century Europe. It would only be proper to ask this is the "gift and benefit" to join the EU?

The European Commission has placed the fight against poverty at the heart of its economic, employment and social agenda – **the Europe 2020 strategy**.<sup>5</sup> According to the European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion<sup>6</sup> the European Union should **lift at least 20 million people out of poverty and social exclusion in the next decade**. Complementary national targets for all 27 Member States should be elaborated. So far the author of the paper do not see concrete action in the field.

### 3 Priority of the Greek EU Presidency

"The top priority of the Greek Presidency is also the **promotion of employment and the creation of jobs, notably amongst the young population**. The Greek Presidency will speed up the implementation of actions such as the "Initiative for the Youth" and the "Youth Guarantee". The Greek Presidency also seeks to finalise the negotiations on the proposed directive of the **posting of**

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<sup>5</sup> European Commission, 2013, EUROPE 2020, Available from <[http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)> [20 January 2014]

<sup>6</sup> European Commission, 2010, The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion, Brussels, 16.12.2010, COM(2010) 758 final

**workers**, as well as the establishment of a quality framework for internships across the EU, the renewal of EURES.<sup>7</sup>

The Presidency will also put emphasis on the **promotion of the programme for employment and social innovation and the PROGRESS microfinance facility**, aiming at the retention and creation of jobs through the **development of SMEs and social entrepreneurship**."

These are fine aims and in the second half of 2014 we shall see the results of these sounding targets. The primary task of the policy makers and Governments should be job creation. The main findings of the **2013 Employment and Social Developments in Europe Review** shows how taking up a job can help people to get out of poverty, but only in half of the cases: much depends on the type of job found, but also on the household composition and labour market situation of the partner. Commissioner for Employment, Social Affairs and Inclusion, László Andor, stressed, that "We need to pay attention not only to job creation, but also to the quality of jobs, in order to achieve a sustainable recovery that will not only reduce unemployment but also poverty".<sup>8</sup>

## 4 Microcredit and Microfinance

Availability of financial instruments is of paramount importance for SMEs. Financial instruments are defined as any tools that are used by either firms or financial intermediaries to acquire or intermediate funds. There is a one important thumb-finger rule: different SME target group need various financial schemes and lines. These varied from microcredit through public credit guarantee fund and from mutual credit guarantee association to venture capital and others. There is not a unique tool of financing SMEs. The need depends basically on the stage of maturity and size of an enterprises.

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<sup>7</sup> EURES, 2014, The EURES Job Mobility Portal, Available from <<https://ec.europa.eu/eures/>> [28 February 2014]

<sup>8</sup> European Commission Directorate-General for Employment, Social Affairs and Inclusion, 2013, *Employment and Social Dimension in Europe*

### DEFINICION OF MICROFINANCE <sup>9</sup>

“Microfinance” is often defined as financial services for poor and low-income clients offered by different types of service providers. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as “microfinance institutions” (MFIs). These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.

More broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high quality and affordable financial services offered by a range of retail providers to finance income-producing activities, build assets, stabilize consumption, and protect against risks. These services include savings, credit, insurance, remittances, and payments, and others.

CPAG Microfinance Gateway

Microcredit addresses the need for access to credit to self-employed, business start-ups and small enterprises. It has a particular focus on, but is not restricted to, groups with limited access to the conventional credit market. Examples include female entrepreneurs, young entrepreneurs, entrepreneurs belonging to a minority group, entrepreneurs with a disability, sole traders, etc. Business starters and self-employed, especially from vulnerable groups request for modest amounts. The most popular microloans are less than € 5,000 only. The European Commission adopted a new definition of microenterprises that came into use as of 1 January 2005. <sup>10</sup> Enterprises will be considered as microenterprises if their headcount amounts to less than ten and their turnover (or balance sheet total) does not exceed € 2 million.

The EU Institutions defined microcredit as a loan below € 25,000.

In 2010, the European Commission by its Decision No. 283/2010EU launched the **European Progress Microfinance Facility (EPMF)** for setting up and/or developing microenterprises and small businesses by the availability of microcredit loans **below € 25,000**. <sup>11</sup> Progress Microfinance does not directly

<sup>9</sup> CGAP, Microfinance Gateway, 2014, *What is microfinance?* Available from <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.12263/>. [28 January 2014]

<sup>10</sup> The SME categories see in EC recommendation C (2003)1422 as of 6 May 2003.

<sup>11</sup> European Commission Employment, Social Affairs & Inclusion, Available from <<http://ec.europa.eu/social/main.jsp?langId=en&catId=836>>

finance entrepreneurs, but enables **selected microcredit providers** in the EU to increase lending, by:

- issuing guarantees, thereby sharing the providers' potential risk of loss and
- providing funding to increase microcredit lending.

The European Commission communication of 13 November 2007 entitled "A European initiative for the development of microcredit in support of growth and employment" identified four priority areas for action:

- improving the legal and institutional environment in the Member States,
- changing the climate in favour of employment and entrepreneurship,
- promoting best practices and
- providing additional financial capital for microfinance

In 2010, the European Commission by its Decision No. 283/2010EU, as a first step in implementing this agenda, the Commission and the European Investment Bank (EIB) created Jasmine (Joint action to support microfinance institutions in Europe) in 2008 which provides mentoring for non-bank microcredit finance institutions and a financing window for a global amount of € 20 million offered by the EIB. The EU allocated € 25 million from the overall budget while the European Investment Bank additionally provided € 75 million, so totally € 100 million was allocated for this purpose.<sup>12</sup> This Facility shall be implemented by using the following types of actions, as appropriate:

- guarantees and risk-sharing instruments;
- equity instruments;
- debt instruments;
- support measures, such as communication activities, monitoring, control, audit and evaluation which are directly necessary for the effective and efficient implementation

Generally, the CEE-countries considered this financial means as out of their interest since their policy makers felt assumed to recognize the poverty and extreme unemployment in their countries. Unfortunately majority of the CEE-countries did not realize the significance of this issue. Only Poland used this instrument in proper manner by nominating Inicyativa Micro (with support of € 3.771 million) as a non-bank institution and the FM Bank (with support of € 1.88 million) and Slovenia as financial intermediaries out of the 26 participating institutions from 15 Member States.

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<sup>12</sup> Decision No283/2010/EU of the European Parliament and of the Council as of 25 March 2010 on "Establishing a European progress Microfinance Facility for Employment and Social Inclusion".



The Decision No. 283/2010/EU emphasised that the actions financed by the EPMF should be coherent and compatible with other Union policies, in particular the Competitiveness and Innovation Framework Programme (CIP) financial instruments, Jasmine, European Agricultural Fund for Rural Development (EAFRD), European Regional Development Fund (ERDF), Jeremie (Joint European resources for micro to medium enterprises initiative) and the European Social Fund (ESF).

The **JASMINE - Joint Action to Support Microfinance Institutions in Europe** -, is a joint initiative of the European Commission, the European Investment Bank (EIB) and European Investment Fund (EIF). JASMINE aims to enhance the capacity of non-bank micro-credit providers and micro-finance institutions (MFIs) in a number of fields, in order help them become sustainable and viable operators in the micro-credit market. The European Progress Microfinance Facility also aims to increase the availability of micro-credit loans of below € 25,000 by issuing guarantees to share in any potential risk of loss. The facility does not therefore directly finance entrepreneurs, but enables selected micro-credit providers in the EU to increase lending.

Originally the **JASMINE TA Facility** provided various financial and non-financial services to MFIs, but the concept has evolved over the years. As it stands now, the **JASMINE TA Facility concentrates on delivering TA** to microcredit providers, while financing is made available to microcredit-providers **through the European Progress Microfinance Facility** (EPMF) managed by the EIF.

The JASMINE HELPDESK allows you to lodge detailed information requests about JASMINE Technical Assistance, the Code of Good Conduct for Microfinance institutions / Microcredit providers, the CGAP's Client Protection Principles, Market Updates, European Microfinance characteristics and funding possibilities through the European Progress microfinance Facility (EPMF).<sup>13</sup>

#### **4.1 Creation and role of the Microfinance centre - mfc**

In order to support the emerging microfinance industry the Microfinance Centre (MFC) was established in 1998 in Poland. The Microfinance Centre is a regional microfinance resource centre and network. It brings together 103 organizations - including 78 microfinance institutions - in 27 countries of central Europe, Eastern Asia and the Caucasus Region. MFC serves over 800,000 low-

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<sup>13</sup> European Commission: *The JASMINE Helpdesk form* Available from <<http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=jasminhelp&lang=en>> [28 February 2014]

income clients. The MFC headquarters is located in Warsaw. It has also a regional office in Bishkek (Kyrgyzstan).

The Mission of the MFC is to contribute to poverty reduction and the development of human potential by promoting a socially-oriented and sustainable microfinance sector that provides adequate financial and non-financial services to a large numbers of poor families and micro-entrepreneurs.<sup>14</sup>

## 5 Microfinance Program in the CEE countries

The European microcredit finance is very young. This growing sector has significant potential. The microcredit practice is varying from one country to another and depends on the microfinance intermediaries providing micro loans. The legal framework is also varying and the practice and operation procedures differs from each other.

Microcrediting has 20 year history in the CEE countries. After the political changes in 1989, thousands of micro- and small-scale enterprises have been created in Central-Europe mainly due to the fact, that many people became redundant or simply lost their jobs due to closing up factories and privatizing state-owned enterprises. These unemployed people became forced entrepreneurs and unintentionally became a cradle and backbone of the private national economy.

In spite of the passed two decades, neither unified microcredit sector, nor general legal framework exists regarding the microcredit sector. In spite of the long-year experiences so far no joint project was carried out in comparison and exchange of experiences in microcrediting between the CEE-countries.

The main microfinance institutions see in Table 3.

### 5.1 Croatia

Croatian is one of the last of SEE countries, which acceded the microfinance paradigm. The main developments actually took place as part of the reconstruction and development activity following the end of the Yugoslav Civil War in late 1995. Three MFIs were established in the post-conflict zones (Areas of Special State Assistance) of Croatia. Their aim was to address the issues of endemic poverty, dramatically high levels of unemployment, collapsing social capital/solidarity and severe intra- and inter-community regional marginalisation. **MikroPlus** was established in 1995 as an NGO operation. It was initially

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<sup>14</sup> Microfinance Centre, Available from <<http://www.mfc.org.pl/en/about>> [28 February 2014]

promoted by Catholic Relief Services (CRS), which was then providing a number of forms of local support to the post-war reconstruction effort in Croatia. **NOA** as a Savings and Loan Cooperative (SLC) was established in 1996 by the donation of the USAID to work in the war-affected Eastern-Slavonia region around Osijek. The third MFI was the **DEMOS** which was founded in July 1999 by the International Catholic Migration Commission (ICMC), and registered in July 2000.<sup>15</sup>

By 2007, with the USAID support these organizations serves roughly 6,000 clients with a portfolio of over € 6.5 million and were able to support non-bankable microenterprises with micro-loans mainly located in the rural war-affected areas. In 2008, USAID suspended operations in the country but had left the MFIs on a path of sustainable growth.

In December 2008, the Croatian Parliament, passed a new law abolishing Savings and Loan Cooperatives (further as SLC) and mandating their transformation into either Savings Banks or Credit Unions. The new legal framework that provided for the transformation of SLCs into Credit Unions was even more problematic than the earlier SLC law. As far as the microfinance, the law abolishing SLC's drove two out of the three MFI's into liquidation with a loss of donorfunding over € 3 million.

The main identified stakeholders of the microfinance sector in Croatia are the following:<sup>16</sup>

- The individual Credit Unions and the Unions of Credit Unions (county and national apex structures, Association of Credit Unions)
- The existing microfinance institutions financed and assisted by international donors represented by DEMOS.
- Representatives of the beneficiaries/potential beneficiaries: Croatian Employers Association, Chamber of Commerce, Croatian Chamber of Trades and Crafts, Croatian Coop. Association, Croatian Employment Service, Workers Unions, Professional associations: accountants, architects, private medical practices, etc.
- Representatives of the Croatian Government: Ministry of Finance, Ministry of Economy, Ministry of Justice, agencies and departments dealing with financial sector and private sector especially SMEs, Ministry of Regional Development and EU Funds, Ministry of Entrepreneurship and Crafts.
- Representatives of the financial sector, Regulators/policy makers and actors: Central Bank, Croatian Bank for Reconstruction and

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<sup>15</sup> Milford Bateman - Dean Sinkovic: Undermining Sustainable Local Economic and Social Development with Microfinance: Evidence from Croatia, 4<sup>th</sup> International Conference "An Enterprise Odyssey: Tourism, Governance and Entrepreneurship", Cavtat, 2008

<sup>16</sup> European Microfinance Network: Legislative Mapping Report - Croatia, 12/2013

Development, EBRD, World Bank, Banks, investors, insurance companies.

The Croatian Government recently adopted the credit program "Microcredit - first step towards entrepreneurship" elaborated by the **HAMAG - Croatian Agency for SMEs and Investments**. The programme aims at granting microloans ranging from the minimum amount of HRK - Croatian Kuna -10,000 to maximum amount of HRK 120,000. (€ 1 = HRK 7.57) <sup>17</sup> Loans will be granted at interest rate of 0.99 % with six month race and maximum repayment period of 5 years. The maximum share of current assets is 40 % of the loan value, while downpayment is not required. In 2014, HRK 5 million (€ 660,000) is allocated for microcrediting from the state budget and they are expected to provide financial assistance to 41 businesses.

## 5.2 Czech Republic

The concept of microcrediting is relatively new in the Czech Republic. The country currently does not implement direct microfinance funds but supports raising awareness about microfinance as a means of development cooperation and economic development of the Czech non-profit organizations and the public. The microcrediting was not in the mainstream of the Government restructuring program during the 1990s. Microcrediting can be provided according to main legislative act as Banking Act No. 21/1992 Coll. and Law 47/2002 Coll.

In May 2010, the Czech Government established the **Concept of the Czech Foreign Development Cooperation** for the period 2010-2017, which defines microfinance as one of the possible modalities of international development co-operation. Based on this conception in 2011 the Czech Ministry for Foreign Affairs and Czech Development agency have been supported Microfinance Foundation and the initiation of the web-based development portal to promote microfinance among Czech NGOs with two grants. International Development Cooperation is a full-fledged part of the foreign policy of the Czech Republic and contributes to the achievement of its objectives. <sup>18</sup> *Svitakova and Vyborna* present the two existing concept in microcredit development and following: <sup>19</sup>

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<sup>17</sup> Balkan.scom at <http://www.balkans.com/open-news.php?uniquenumber=192724> [6 May 2014]

<sup>18</sup> Available from <<http://www.nfmf.cz/microfinance-jako-zpusob-zrs>> [28 February 2014]

<sup>19</sup> Jirina Svitakova - Magdalena Vyborna: Current Microfinance options in the Czech Republic and their further development by the Czech Microfinance Foundation. 2nd European Research Conference on Microfinance, Groningen, The Netherland [28 February 2014]

The first concept presents **microfinance as an alternative investment** for foreign capital. It is represented by the joint-stock company Microfinance. In its philosophy „microfinance“ is a type of investment suitable for stabilization and supplement of investment portfolios as it is an alternative asset with safe and attractive interest and at the same time with demonstrable advantage for healthy development of world economy. The Czech portal **www.myELEN.com** (my Electronic Loan Exchange Network) focuses on financing microfinance, cooperative and development projects in developing countries. Via myELEN.com everyone can financially support chosen entrepreneur, a whole group of them or a microfinancial institution and get back the principal together with firmly determined interest. This initiative follows the *seven principles of Social Business*, developed by the Grameen Bank and Nobel Prize winner Muhammad Yunus. The myELEN objective is not only profit, i.e. achieve financial and economic sustainability, but also to overcome specific problem that threatens the entire society, part, or nature.<sup>20</sup> The company manages web-based portal [www.myelen.com](http://www.myelen.com).

The second microcredit concept presents a tool for development corporation. The **Endowment Fund Microfinance (Nadacni Fond Microfinance - NFMF)** was founded in 2007 with the aim **to raise awareness of microfinance in the Czech Republic** and to help the poorest people in developing regions in their quest for independence through microfinance. NFMF main activities are training in microfinance expert assistance in the integration of microfinance into project portfolios NGOs, advisory and consulting services and support initiatives and activities contributing to the creation, protection and development of small businesses in developing countries.

An important mission NFMF is active spreading awareness and raising awareness of microfinance as a form of development cooperation among the general public. NFMF is the executor of training seminars for professionals and the general public, such as *microfinance and development assistance in times of financial crisis*, carried out on the premises of the Czech University of Agriculture and *Microfinance: a new trend in the fight against poverty*, held at the University of Economics. In 2011, educational activities NFMF spread of projects aimed at educating secondary school students in the issues of development aid and long-term vocational education teachers.

### 5.3 Hungary

In 1991, the **National Microcredit Scheme (MCS)** was launched by the European Union Commission and the Hungarian Government in the framework of the small and medium-sized enterprise promotion program of PHARE - Poland-Hungary Assistance for the Reconstruction of the Economy Program. The main

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<sup>20</sup> Available from <<http://www.myelen.com/index.php/en/aboutus>> [28 February 2014]

aim of the PHARE SME program was to promote employment and economic restructuring through the promotion of the SME sector. On the verge of the political change in 1990 both the Hungarian Government and the European Union found it outstandingly important to increase the number and the influence of small and medium-sized enterprises as well as to establish the institution of enterprise promotion.<sup>21 22</sup>

In order to achieve the above mentioned goals, beginning from 1991, the European Union - using PHARE resources - provided significant financial and professional help for the establishment of enterprise development foundations in the counties and the capital city and their operational organizations called **Local Enterprise Agencies** (later to be referred to as **LEAs**) as well as for the training of their staff and for the launch and operation of enterprise support programs run by the foundations.

The national network of enterprise promotion foundations in the counties and the capital city had covered the whole country by 1996. (In the initial experimental program LEAs were formed in 6 counties, then as a result of successful operation, LEAs were established in all the 19 counties and the capital city.) In accordance with the EU norms, the members of the Network are: sector-neutral, operating by the principles of decentralization and regionality, built on extensive local support and co-operation.

The basic activities of the LEAs, financed by PHARE, are counselling, training, infrastructure development (business incubators, industrial parks), providing microcredit as well as generating development programs. When the programme was launched in 1992, no general legal framework regarding the microcredit activity existed concerning the microcredit activity of the individual microfinance organizations.

In 1998, the Hungarian Parliament amended Act No. CXII of 1996 on Credit Institutions and Financial Enterprises in such a manner that it removed the crediting activity performed from the National Microcredit Scheme of the Hungarian Foundation for Enterprise Promotion from under the effect of the Act.

Later, the Hungarian Parliament amended Act No. CXII of 1996 on Credit Institutions and Financial Enterprises with Section 2 of Act No. XXXIX of 2003. on the basis of Section 2 (1) (h) of Act No. CXII of 1996. Following the enactment of the amendment of the Act, the crediting activity of the Hungarian Foundation for Enterprise Promotion and the microcredit activities of the foundations operating in the counties and the capital do not fall under the effect of the Act.<sup>23</sup>

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<sup>21</sup> István Kovács, 2007, *The Microlending Sector in Hungary*, PRIMOM

<sup>22</sup> Tibor Szekfű (2007) *The Microcredit Sector in Hungary*, Székesfehérvár

<sup>23</sup> European Microfinance Network, 2012, *A Collection of Case Studies, No.1*. Brussels

Summarising the microcredit practice exists in Hungary we can state that since 1992, meanwhile the financing mechanism suffered several changes. These changes reflect the confused and sometimes unadvised attitude of 5 outgoing Governments plus the current one. During 15 years 25,400 microentrepreneurs received microcredit in amount of HUF 42.6 billion (around to € 185 million). This amount is very modest as compared to the 850,000 SMEs. This amount is even worth if we consider that 80% of the Hungarian SMEs are operating without any credit, while 20% the SMEs in advanced economies.<sup>24</sup>

In this field micro and small enterprises could play a significant role, because they produce products and provide services on spot, by doing so, they create jobs, pay taxes; those generate growth where in full or part-time. The microcrediting in accordance with the EU policy line might be a good tool to solve particularly the poverty and to bring back the entrepreneurial unemployment to the labour market. However, at time being the majority of the micro and small enterprises could not be applicable by financial institutions in spite of using every effort. Government policy-makers and the financial elite does not understand the importance of fighting against poverty and social inclusion by creating jobs and self-employment by properly use of microcredit facilities.

While microcrediting through non-commercial financial intermediaries was introduced in over 100 countries – recently also in Austria -, the Hungarian financial elite believes that microcrediting according to the pattern by Muhammad Yunus has no *raison d'être* in Hungary. It is a great mistake. If we integrate 100,000 unemployed people back to the labour market and these starting to pay social insurance, than they also contribute to the economic growth taking the social weight off the shoulder of the Government. And the main important thing is that these people could leave again in human circumstances.

## 5.4 Poland

In Poland a unique micro finance schemes called **Fundusz Mikro (FM)** was established in 1994 with a USD 20 million loan capital investment by the Polish-American Enterprise Fund. Fundusz Mikro was registered as a limited liability company, the only non-bank institutional form in Poland that can make interest-bearing loans. A USAID grant covered initial operating costs. FM began its lending operations in February 1995 with a one-year pilot program in which it systematically tested different lending methodologies, locations, types of clients, types of employees and co-operation arrangements with partner organisations. Based on the results of the pilots, it has, since February 1996, built a nationwide network of 11 branches and 1 main office (Headquarters).

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<sup>24</sup> Dr. Antal Szabó, 2008, *Experience in Microcrediting in Hungary*. ERENET PROFILE, Vol VIII, No.1., January 2008

**Micro Fund** has developed a unique form of financial cooperation with our customers, based on the principle of partnership and mutual trust by offering permanent access to capital in simple terms, without unnecessarily complex formalities. In his more than 18 years of activity, Micro Fund has become the leading microfinance institution in Poland and one of the largest in Central and Eastern Europe. Since its inception, the Fund has granted more than 130,000 micro loans to over PLN 1 billion, to 57,000 owners of micro and small businesses. 60% of Micro Fund clients are repeated customers.<sup>25</sup>

In May 2012, the Fund acquired Micro technical assistance financed by the European Union under the project JASMINE and passed with a very good result, rigorous assessment carried out by a reputable company - Planet Rating. Since January 2012, as the owner of Micro Fund was nominated *Mrs. Magdalena Dulczewska*, President of Micro Fund in 2004-2009 and the first CEO of FM Bank SA in 2009-2011. The new President, together with a dynamic team, introduces innovative methods of supplying loans to entrepreneurs across the country so that the process of borrowing even more simplified and reduced to a minimum of formality. A new method has not applied to other financial institutions in Poland is to co-FM interested entrepreneurs who have limited access to finance its activities due to the stringent requirements of the banking law. Those customers can apply for funding in Micro Fund, if they meet the conditions of the institution.

Fundusz Mikro has been developed an innovative, computerized loan portfolio risk assessment system, or tool, which is used to control default risk at a time when Fundusz Mikro is undergoing rapid expansion of its lending operations. The loan portfolio risk assessment tool that Fundusz Mikro is an innovation in the micro finance field because it is more sensitive and sophisticated than traditional credit-scoring processes.

A fresh approach is also being taken in Poland.<sup>26</sup> A new bank, **FM Bank SA** was founded in 2010 and is based in Warsaw. It offers banking services for micro and small Polish entrepreneurs. FM Bank's target customer group consists of microenterprises employing up to 10 people and reporting the annual turnover of under PLN 1 million, as well as small enterprises employing over 10 people and reporting the annual turnover of PLN 1-3 million. In June 2013, the Financial Supervision Commission cleared the merger FM Bank SA Polish Enterprise Bank SA. The operation has been launched in July 2013. Name the merged entity is FM PBP Bank SA.

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<sup>25</sup> Micro Fundus 2014, O nas, O Funduszu, Available from <<http://www.funduszmikro.pl/o-nas>>, [28 February 2014]

<sup>26</sup> European Banking Federation, 2010, *Microfinance within the EU banking Industry: Policy and Practice*, Brussels.



FM Bank was established on the basis of experiences of the Fundusz Mikro. The objective of the Fund was to support the development of small enterprises.

FM Bank was established on the basis of Fundusz Mikro (Micro Fund), the leading Polish institution financing operations of microentrepreneurs. The Bank's shareholders are as follows: - FM Holdings S.à.r.l. – holding company with its registered office in Luxemburg, a part of the private equity investment fund, Abris Capital Partners, with an 89% stake in the share capital of FM Bank - International Finance Corporation (IFC) – a membership organization of the World Bank Group, aiming to support development of the private sector in Central and Eastern Europe, with a 10% stake in the share capital of FM Bank; - Piotr Stępniaak – a private investor with a 1% stake in the share capital of FM Bank.<sup>27</sup>

**Inicjatywa Mikro (IM)** is a microfinance organization that provides small business loans to growing enterprises in Poland. Established in 1996 with the help of Opportunity International, IM now operates seven lending branches throughout central and southern Poland serving both rural and urban clients. It is one of the beneficiaries of the EU Progress Microfinance facility.

## 5.5 Romania

In Romania the first **Microcredit Program**<sup>28</sup> was established by the financial support of the USAID. MFIs were established in Cluj-Napoca, Craiova, Iasi and in the framework of the Cooperative Housing Foundation<sup>29</sup> in Timisoara, Deva, Arad and Resita. The Timisoara Technical Service Centre is operating as a civil organization. In the framework of the project a USD 150,000 foundation has been created, the credit reviewers and operators were trained for local agricultural, house maintenance and microenterprises. In 1999, the basic capital was increased to USD 1 million.

The microfinance sector in Romania principally consists of 10-12 NGOs, commercial banks, and one microfinance bank, a majority of which are operationally self-sustainable and are currently seeking commercial funding. In 2003, the 5 largest NGOs/finance companies were thought to have a combined market share of less than 25% of the total loans outstanding.

- The 6 significant MFIs include: **CHF, CAPA, OMRO, CDE, LAM PLC and FAER.**
- Many banks – including Romanian Commercial Bank, Raiffeisen Bank, Transylvania Bank, Alpha Bank, Romanian Bank and the MIRO-Bank (renamed Pro Credit Bank) – were implementing SME lending programs

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<sup>27</sup> Available from <http://www.mixmarket.org/mfi/fm-bank> [28 February 2014]

<sup>28</sup> [www.usembassy.ro/USAID/Documents/USAIDFORNGO.pdf](http://www.usembassy.ro/USAID/Documents/USAIDFORNGO.pdf)

<sup>29</sup> [www.dec.org/country/reports.cfm?region=eurasia2&country=Romania](http://www.dec.org/country/reports.cfm?region=eurasia2&country=Romania)

funded by EBRD. Many of these providers are clustered in the Transylvania region and Bucharest, while other areas of the country.

- Other financial services providers (transactional or financing) include the Romanian Post, Provident Financial and Paystore.<sup>30</sup>

In 2007, the Romanian-American Enterprise Fund announces it has recently signed an agreement for the acquisition of 97% of shares in **CAPA FINANCE IFN SA**. CAPA Finance is one of the leading Romanian microfinance institutions that has gained significant expertise and knowledge in the market over the last decade. CAPA started in 1996 as a microfinance project inside World Vision Romania with technical assistance from MEDA (Mennonite Economic Development Associates). It was initially created as a non profit credit activity and was delivering loans in urban areas to MSMEs, under a service contract with Romanian-American Enterprise Fund. The Company has its headquarters in Cluj-Napoca while its network comprises 5 regional centres and more about 25 rural offices. As of September 30, 2007 CAPA reported Total Assets of approx. USD 25 million and about 100 employees. The Company targets Total Assets of over USD 33 million for year end.<sup>31</sup>

**LAM Microfinance Plc.** is a non-banking financial institution conducting its activity with National Bank of Romania approval, which arose from the LAM Foundation, in time. LAM Foundation has been carrying on its activity since 1992, having as major goal the development of agriculture and offering support in establishing a category of private entrepreneurs who could sustain their activity in the long run, all these in frame of a regional development program. Beginning with 1996 the Swiss state, through DEZA, became HEKS's partner in providing funds for the Foundation, which meant a much larger size capital to assist more numerous agricultural workers from Covasna county. At the end of 2010, LAM Microfinance has more than € 4.3 million worth credit portfolio, 940 active loans, 6 branches besides the head office, 12 employees, and an asset size of RON 19.4 million and more than € 1.1 million shareholders' equity.<sup>32</sup>

**Opportunity Microcredit Romania** aims to be a partner for the region's small and micro entrepreneurs, a partner they can count on, whether they start their business, their business progresses or matures. Opportunity Microcredit Romania aims to be more than just credit. It seeks for lasting relationships with clients to whom it represents the one solution. Target groups consist of entrepreneurs who don't have access to commercial banks, either because they have just started their business or because of insufficient guarantees or sometimes

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<sup>30</sup> UN Advisors Group on Inclusive Financial Sectors, Private Sectors Working Group: Financial Sector Assessment Romania, March 2008

<sup>31</sup> Romanian American Enterprise Found Press Release, 16 November 2007. Available from <http://www.raef.ro/pdf/RAEF-CAPA.pdf>, [7 May 2014]

<sup>32</sup> LAM Microcredit, Available from <http://www.microcreditlam.ro/>, [7 May 2014]

because of the small size of their business. Opportunity has branches in Alba Iulia, Bistrita, Brasov, Cluj-Napoca, Miercuera Ciuc, Oradea, Sibiu and Targu Mures.

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The legislative bases for microcrediting is the Microfinance Law No. 240/15.07.2005 -

adopted by the Romanian Parliament. This Law legitimises micro-finance activities. In the light of this Law the following activities are launched:

- The Government increased lending to micro and small enterprises by non-bank and community financial institutions.
- Establishes the necessary framework in accordance with EU provisions for the functioning and development of micro-finance enterprises by:
  - setting the legal form of organisation for MFIs as joint stock company administered by the Trade Register;
  - prohibiting deposit taking activities, mortgage loans for real estate investments and consumer loans;
  - defining microcredit as maximum amount of € 25,000 for a 60 months period; and
  - setting the NBR as the supervisory authority/body (minimum capital requirement of € 200,000).

In 2002, a specialist microfinance bank called **MIRO BANK** was created by EBRD (22.5%), Commerzbank (22.5%), IFC (22.5%), IMI (10%), and the German DEG/KfW (22.5%). The basic capital was USD 9 million. The MIRO BANK targeted at providing three types of credit packages: (i) a quick credit up to USD 2,500, (ii) business credit up to USD 10,000 and (iii) credit for investment up to USD 100,000.

Since 2000, Commerzbank has acquired an equity stake in seven Microfinance Bank. They are called as **ProCredit Bank - PCBR**. The Bank provides financial services to micro and small enterprises (MSEs) in Romania. As of the end of 2010, PCBR disbursed loans to Romanian MSEs with a gross loan portfolio of USD 105.6 million and 112,872 active borrowers.

## 5.6 Slovakia

There are neither a special law on micro-credits nor current initiative to take such kind of law in Slovakia. When comparing activities of different players in the micro finance segment, it has to be taken into account that all apply different definitions with regards to micro financing.

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<sup>33</sup> Opportunity Microcredit Romania, Available from <http://opportunity.ro/en>, [7 May 2014]

A loan guarantee programme is operated in Slovakia by the **National Agency for Development of SMEs (NADSME)** through the Slovak Guarantee and Development Bank (SGDB), following the pattern of the CMGDB in the Czech Republic. The guarantee scheme for SME of the SGDB was founded in 1992 with a contribution of € 2 million from PHARE programme funds and co-ordinated by NADSME. An equal amount was contributed by the Slovak government.

In 1993, the guarantee programme for SME from PHARE funds was reorganised. Subsequently in November 1994 both the above mentioned programmes were merged into one guarantee scheme for SME. Under this programme, as of the end of 1996, 108 credit guarantees had been given for a total financial volume of SKK 210,933 million (USD 6 m).

The **Micro-loan Program** was launched in 1997 by the National Agency for Development of Small and Medium Enterprises - NADSME. Following the pilote project the final decision on the provision of a micro-loan is preceded by the following:

- the entrepreneur visits a selected centre (RAIC, BIC, FF in Dunajská Sreda, Prešov, Kosice, Spišská Nová Ves, Komarno, Losonc, Martin, Prievidza, Nitra, Poprad, Povazska Bisztrica, Trebišov, Trenčín, Zvolen, and the Seed Capital Company Ltd. in Bratislava),
- the entrepreneur submits the application and the business plan,
- the business plan is analysed and assessed, location and/or premises of the planned investment are visited and inspected,
- the decision is taken by the Micro-loan Council,
- the applicant is immediately informed about the decision. Once the application is approved, a loan agreement along with other documents is signed.

Micro-credits may be used to acquire movable and immovable fixed assets, reconstruct operating space, purchase stocks, raw materials or merchandise. At present a micro-loan is min. € 1,400 - max € 42,000, period of maturity from 6 months up to 4 years, interest rate around 6.25%. The borrower should provided 100% of guarantee or register a mortgage. This practice was not user friendly and the number of entrepreneurs were not to much. Provisions through the network of regional co-operating centres (RAICs/BICs) called also as MFIs.

Since the programme does not comply with the Law No.231/1999 Z.z. State aid, as amended (Act No. 203/2004 Coll, which amends Act no. 231/1999 on state aid as amended and amending certain laws). In February 2010, the Slovak Government suspended the operation of the microcredit operation. Since 17 February 2010, no applications are accepted and approved. The NADSME prepared the implementation of procedure changes in compliance with an updated version of the Micro-loan Programme that was approved by the Government of the Slovak Republic on 27 January 2010 and

published in the bulletin Obchodný vestník No. 32A in 17 February 2010, however, nothing happened during the last three years.

The Micro-fund of the **INTEGRA Foundation** – the support of new or already running business activities operated by women. Interga Foundation is a non-profit organization established in 1995, whose mission is to bring well-being to communities by creating opportunities for the vulnerable, supporting personal, economic, spiritual and social development, thus contributing to the alleviation of poverty and justice for the poor.<sup>34</sup> The Integra Foundation is registered in the Register of Foundations at the Ministry of Interior of the Slovak Republic, registration number 203/Na-96/346. Credits up to € 2,800 can be provided with maturity up to 2 years, the annual interest rate is 9.5%, 3 possible means of security: group pledge, third party pledge or pledging with assets.

In summer of 2003, the Slovak Ministry of Labour and Social Policy launched a microcredit management program for local government SME consultants to alleviate the high unemployment rate in Eastern-Slovakia. This program was implemented by the Bulgarian HIRON Management Consulting Company.

To sum up, the Slovak economic policy is not at the favour of the microcredit business. Unfortunately, the Government suspends social support for those entities who are starting business activities.

## 5.7 Slovenia

In Slovenia despite a considerable swing of entrepreneurship from the years of 1990s, financial incentives to various target group was not sufficiently developed. In 2000, at the International Conference on Financing SMEs in Bled, government representative spoke about the number of unemployment as 115,000. The Government intention was to create new jobs, however, banks avoided financial support to startups because of risk taking. The **Employment Service of Slovenia - ESS** - supported 21,000 people to become self-employed. A person who became a self-employed or an employer who created a new job could obtain a credit amount in to Slovenian Tolar - SIT 1 million on the basis of special programme. (€ 1 = SIT 240). The key role in implementation of the project played the Guarantee Funds providing warranties for microcredit. Basically the **Small**

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<sup>34</sup> INTEGRA Foundation, Bratislava, Available from  
<[http://www.trialog.or.at/images/doku/sk\\_integra\\_foundation\\_2013.pdf](http://www.trialog.or.at/images/doku/sk_integra_foundation_2013.pdf)> [28  
February 2014]

**Business Development Centre** was the main player in promoting entrepreneurship in this field.<sup>35</sup>

**Sberbank d.d.** has been operating with great success in the Slovenian market since 1993, when Volksbank AG (VBAG) took over the Styrian Bank of Crafts and Entrepreneurship (Štajerska banka obrti in podjetništva) (established in 1991). The Bank's largest shareholder is Sberbank Europe AG. Since 15 February 2012, the Russian Sberbank has been a 100% owner of Sberbank Europe AG (formerly Volksbank International AG) – with headquarters in Vienna, Austria. In association with the European Investment Fund (EIF), we have prepared for you a long-term microcredit, which can be used to finance current or fixed assets when you incorporate your company or broaden business operations. The SBERBANK is a microcredit provider within the European micro-financing instrument – Progress, funded by the European Commission and the European Investment Bank, managed by the European Investment Fund (EIF). The funds was limited and could be taken out until end of 2013. Characteristics:

- Credit amount € 25,000
- Credit period until 22 December 2019
- Moratorium on the repayment of the principal at least until 31 December 2013
- Repayment of the principal, which will alleviate the burden to your business operations
- Exceptional 6% or 7% annual fixed interest rate.

**Banka Volksbank d.d.** has been operating successfully in Slovenia since 1993 as part of the network of the Vienna-based Volksbank International AG (VBI). In February 2012, Volksbank International AG was taken over entirely by Sberbank. In 2012, the European Investment Fund (EIF) and Volksbank Slovenia have signed a € 8.75 million subordinated loan agreement aimed at supporting micro-businesses and self-employed entrepreneurs in Slovenia. This transaction was signed under the European Progress Microfinance Facility (Progress Microfinance), funded by the European Commission and the European Investment Bank and managed by the European Investment Fund.<sup>36</sup>

In 2013, the **EIF and SKB Leasing, Slovenia** have signed a € 9 million loan agreement aimed at supporting micro-enterprises and self-employed entrepreneurs in Slovenia.<sup>37</sup> This transaction was signed under the

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<sup>35</sup> Bozidar Marot - Albin Kerec: Financial Incentives to Start-up Entrepreneurs, International Conference on "Financing of SMEs", 10-13 october 2000, Bled.

<sup>36</sup> European Investment Fund Press Release. Available from [http://www.eif.org/what\\_we\\_do/microfinance/news/2012\\_Volksbank.htm](http://www.eif.org/what_we_do/microfinance/news/2012_Volksbank.htm), [7 May 2014]

<sup>37</sup> EIF Press Release: Additional Finance for Businesses in Slovenia Following PROGRESS Microfinance Agreement, Available from

European Progress Microfinance Facility (Progress Microfinance), funded by the European Commission and the European Investment Bank and managed by the European Investment Fund. SKB Leasing will provide a total amount of up to € 13million to micro-entrepreneurs across the country, with a particular focus on supporting self-employed entrepreneurs and formerly unemployed people.

## 6 Code of Good Conduct of microcredit acilities and practices

On 26 September 2013 the Hungarian Microcredit Network organized a Workshop on „**The experience of the Hungarian legal framework for MF provision and its lessons in an international context, and the possible effects of the implementation of the European Code of Good Conduct for the sector**”. This Workshop was held in Budapest with include the representatives of Microfinance Institutions (MFIs) involved in the regulation, Hungarian members of the Parliament, representatives of the Ministry of Economic Affairs and the Central Bank, as well as EU experts involved in the elaboration and the implementation of the European Code of Good Conduct.

In 2011, the European Commission decided to elaborate a uniform code of conduct for microcredit provision in the EU.<sup>38</sup> No organizations from CEE-countries participats in the elaboration of this document. Reading at first glance, the procedure is very bureaucritic, similar to the majority of the EU procedure. Elaboration of an individual code of conduct request lot of time and it is a questionmark weather the microcredit practice will be better in a given country.

The participants of the Budapest Workshop have studies the current practice of the Hungarian microcrediting and unanimously suggested to define the international professional recommendations and directices drawn in the document adopted at the Workshop.

Signed in Budapest on 25 September 2013 by representatives of the European Microfinance network from Belgium, Germany, Hungary, Italy, Norway, Spain, United Kingdom as well as the Head of European Microfinance Network (EMN) and European Federation of Ethical and Alternative Banks (FEBEA).

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<http://www.noodls.com/view/152BFE9A7EABF4308062CF4061547CB655792481?7982xxx1387541834>, [7 May 2014]

<sup>38</sup> European Union Regional Policy Enterprise and Industry: European Code of Good Conduct for Microcredit Provision. Version 1.0, ISBN 978-92-79-21023-5 doi:10.2776/41012, Brussels

## Conclusion and recommendations

There is no single policy model for the promotion of entrepreneurship among youth, and the programs developed in different cultural and national settings show a wide variety of approaches. Every country has to find an appropriate policy mix of initiatives that combat the most important barriers and constraints that exist in their cultures.

For more than 20 years microfinance in CEE has been portrayed as a key policy tool for job creation and poverty reduction. It is a “bottom-up” local economic development process assisted by special microfinance intermediaries. There is a paradigm change in crediting activities: unemployed people and poor become creditable. Credit can create economic power that would generate into social power, lifting the poor out of poverty.

Microcredit is not a panacea for job creation and poverty alleviation. Every country has to elaborate an appropriate policy mix which fits to their culture. Promoting an entrepreneurial culture among young people as well as unemployed people is one of the strategic objectives for job creation and poverty alleviation. While doing this, entrepreneurship education has to build into national teaching curricula. Unfortunately, not all member states recognized so far the importance of this issue. There is a lack of modern teaching materials and lack of appropriate teachers as well. The lack of adequate start-up finance is one of the most significant barriers to young people seeking to create their own businesses. In this field microcredit is a very good tool. However, in addition to provision of loan, there is a need clever advocacy and consulting support how to create a business plan and how to start-up.

So far the CEE-countries did not organized any workshop where the country practices and their main characteristics were presented and discussed. This is why the Autor of this paper to suggest to launch such kind of project based on the existing Visegrad Found and EU project funds, organize workshops, share experiences in job creation programmes and elaborate a joint standpoints and recommendations for good conduct.

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Table 3  
Major Microfinance Institutions in selected CEE Countries - 2014

Name of the MFIs	Main feature of the microfinance
<b>CROATIA</b>	
MIKROPLUS - ŠKZ	The company is located in Osijek and is working in General business business activities. It has disbursed US\$9.2 million in 9,620 loans to 4,152 clients throughout Croatia
DEMOS Saving and Loan Cooperative	DEMOS is a nationally registered financial institution whose mission is to provide financial and non-financial products and services throughout Croatia to those with limited access to formal financial services. DEMOS targets low-income clients, primarily in the agricultural sector, primarily in agricultural sector. It also focuses on low-income entrepreneurs who want to start and expand entrepreneurial activities.
NOA Credit and Saving Cooperative	Established in 1996 by USAID, OSI & Norwegian BIP for the reconstruction of the multiethnic economic life of Eastern-Slavonia
<b>CZECH REPUBLIC</b>	
NFMF - Nadacni Fond Microfinance	This support is based on the knowledge transfer and preparation of a web-based Portal for development co-operation, which all NGOs can access to present their development projects on the web-page <a href="http://www.nfmf.eu">www.nfmf.eu</a>
Electronic Loan Exchange Network - myelen.com	In its philosophy „microfinance“ is a type of investment suitable for stabilization and supplement of investment portfolios as it is an alternative asset with safe and attractive interest

	and at the same time with demonstrable advantage for healthy development of world economy.
<b>HUNGARY</b>	
Hungarian Foundation for Enterprise Development - MVA	<p>The oldest microcredit Foundation that since 1990.</p> <p>It is a public NGO that is governed by the <u>board of trustees</u> while day-to-day operations are managed by the Foundation's staff of <u>labour structure</u>. It does not deal with microcrediting with borrower requesting microcredit directly. As a co-financier we have a history of actively participating in various joint initiatives of the EU and the Hungarian government.</p>
Hungarian Microcredit Network <sup>®</sup>	<p>The Hungarian Microfinance Network is comprised of 20 Local Enterprise Agencies (LEAs) throughout Hungary. The LEAs operate in form of non-profit foundations or public foundations initiated by local Governments, banks, finance associations for the promotion directly the SMEs in the 1990s. While the MVA does not deal with the entities applying for the credit directly, this is done by the members of the <i>Hungarian Microfinance Network</i> made up of the enterprise agencies operating in the counties and the capital being in a contractual relationship with it. The whole credit assessment procedure takes place at these organizations.</p>
MiFiN Microfinance Financial Service ZRT	<p>Established in 2007 it coordinates the outplacement of the micro loan from the JEREMI program.</p>
START Garancia ZRT	<p>Established in May 2006 by the Hungarian Foundation for Enterprise Development (51% of shares) and MNB Invest Zrt (49% of shares)</p>

	with the aim of assisting the Hungarian SMEs in acquiring equity financing for development purposes and non-refundable EU subsidies.
<b>POLAND</b>	
Polish Agency for Enterprise Development	In 2005 there were 75 loan funds with a total capital of PLN 558m (about € 140m) operating, which granted 16,000 loans (12,000 alone by Fundusz Mikro). The average loan given was PLN 14,400 (€ 3,680). These loans helped to create 5,400 jobs.
Fundusz Mikro	Money on hand can be used to finance the needs of business, loan amount to PLN 70,000, determined individually, based on the current and projected financial and economic condition Client be triggered once, the current account indicated by the Customer, after the signing of the loan agreement, repayment of the loan in equal monthly instalments of principal and interest. Security: a blank promissory note, guarantee spouse/third person plus at least one of the following: transfer of ownership of collateral, mortgage, assignment of life insurance package borrower, others proposed by the Client.
FM PBP Bank SA	The mission of the FM is to become a major specialist in the field of micro-enterprises operating in the Polish banking sector. It is envisaged to be the main partner of micro-entrepreneurs, focused on solving their financial problems in a professional manner.
<u>Inicjatywa Mikro (IM)</u>	It is an NGO offering micro and working capital loans, credit lines, start-up loans,. Loans are made directly to entrepreneurs following their evaluation.
<b>ROMANIA</b>	
CAPA Finance IFN S.A.	It is a Romanian-American Enterprise Foundation , which is the largest non-bank

<p>FAER NFI S.A.</p> <p>LAM Microfinance Plc</p> <p>Opportunity Microcredit Romania</p> <p>ProCredit Bank of Romania (former the Microfinancing Bank MIRO)</p>	<p>SME financial provider serving primary underserved areas.</p> <p>It was established in 2005 by the takeover of the Foundation for Promotion of Agriculture and Regional Economy - FAER Loan Department with the support of the Swiss Confederation.</p> <p>LAM Microfinance Plc. is a non-banking financial institution conducting its activity with National Bank of Romania approval</p> <p>Opportunity Microcredit Romania exists to support small entrepreneurs starting their businesses, or to develop existing ones, and thus stimulate the Romanian economy; its goal is to establish jobs, improve the living conditions of entrepreneurs and their families with disadvantageous backgrounds, supporting equal opportunities within the society and rejecting discrimination.</p> <p>ProCredit Bank Romania is a development-oriented full-service bank. We offer excellent customer service and a wide range of banking products. In our loan operations, we focus on lending to micro, small and medium-sized enterprises, as we are convinced that these businesses create the largest number of jobs and make a vital contribution to the economies in which they operate.</p>
<b>SLOVAKIA</b>	
<p>National Agency for Development of Small and Medium Enterprises - NADSME</p>	<p>The Micro-loan Programme launched in 1997, runs by a network of co-operating regional advisory and information centres (RAIC) and business innovation centres (BIC). Micro-loans provided to enterprises with up to 20</p>



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2014 • Budapest, Hungary