

# ANNUAL REPORT 2010



EUROPEAN MICROFINANCE  
*network*



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REPORT

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The seven-year program targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States' commitments and efforts to create more and better jobs and to build a more cohesive society. To that effect, PROGRESS will be instrumental in:

- providing analysis and policy advice on PROGRESS policy areas;
- monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas;
- promoting policy transfer, learning and support among Member States on EU objectives and priorities; and
- relaying the views of the stakeholders and society at large

For more information see:

[http://ec.europa.eu/employment\\_social/progress/index\\_en.html](http://ec.europa.eu/employment_social/progress/index_en.html)

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# *Foreword*

Microfinance now plays a widely recognised role in the fight against poverty and social exclusion in Europe. This remarkable achievement is the result of the institutional work and networking efforts carried out over the past few years. It is a major achievement for two reasons. The first is that the microfinance sector no longer perceives itself as a niche sector but rather wants to take part in the larger framework of important choices that the European society is called upon to make in the coming years. The second reason concerns the change and innovation that can and should involve the entire spectrum of European financial operators (banks and non-banks).



The European Microfinance Network (EMN) has contributed and will continue to contribute to these efforts in dialogue with major European institutional players –primarily, the European Commission and the European Investment Fund– by encouraging its members towards a greater professionalisation of the sector.

Our strategic objectives are the growth of microfinance operators and the construction of a supply adequate to meet the demand for financial inclusion and to meet untapped business potential in Europe.

The year 2010 was a period of consolidation and preparation for the future. The primary challenge for the coming years will undoubtedly be to achieve sustainability for microfinance institutions.

We foresee at least two courses of action that could lead to interesting results: first, the development of adequate non-financial services integrated with the provision of credit; second, unwavering support for processes and tools for technological innovation.

With respect to non-financial services –the focus of our 2011 conference in Amsterdam– we need to envisage and work for explicit support from European, national and local public institutions. The positive externalities of microcredit need to be recognised in a concrete way in both social and economic policies.

Finally, we need to recognise that technological innovation offers great potential for the development of the sector. It allows for the reduction of operational costs as well as an increase in the quality of follow-up services and risk management. Many operators are already engaged in this regard and EMN intends to support their efforts.

Much work still remains to be done, but we certainly believe it is worth the effort. The number of institutions joining our network –which grew to 87 members from 82 in 2010– tells us that we are heading in the right direction.

Giampietro Pizzo  
Vice-president

# 01.

## *Highlights of 2010*

### *2010, a turning point for microfinance in Europe?*

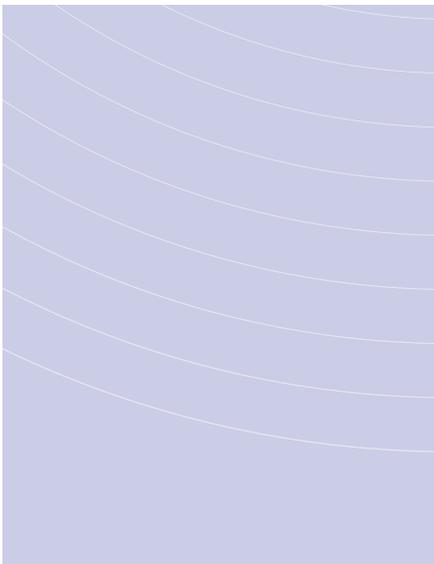
Despite a slowdown in economic activity, despite the impact of the global economic and financial crisis experienced, the microcredit sector has continued its diversification. Microcredit, which has become a genuine tool of social and economic policies in Europe, as evidenced by the support of European initiatives such as Jasmine or Progress for the development of the sector, is now recognised as a promoter of entrepreneurship, as a tool for social and financial inclusion and as a wealth-creating factor.

Microfinance is facing new challenges linked to a rapidly evolving context. Institutions have adapted their models this year in order to meet an increasing demand.

**The Jasmine and Progress Programs**, are two strong signals sent by the European Union to strengthen the sector. These two policy instruments have played an important role in the development of the microfinance sector this year.

The European Microfinance Network has continued its growth in Europe. At the end of 2010, EMN had **87 members from 21 European countries**, including eight new members which subscribed during the year to the vision, mission and values of the network. This growth was one of the stated goals of 2010 and highlights the attraction of microfinance institution for joint reflection and coordinated action.

**The 7<sup>th</sup> EMN Annual Conference was held in London from 23-25 June**, on the topic *"2010: A changing Europe: Combating poverty, supporting enterprise"*. The conference was organised in partnership with the CDFA (Community Development Financial Association) and brought together over 300 participants. It analysed the way the sector in the UK and Europe faced the various challenges that emerged in 2010 following the financial crisis in order to build a more inclusive Europe from a social, financial and entrepreneurial perspective.



During the London conference a € 50 000 prize recognising **European best microfinance practices** was awarded for the second time in 2010. The prize, which was created by Fondazione Giordano Dell'Amore in partnership with EMN, drew 14 candidates. The Dutch Foundation Credits gained the award for its project *"A new sustainable approach to microfinance. A blend of traditional banking and sophisticated IT support"*. Similarly, the Research Prize 2010 was awarded to Michal Matul (ILO) for his study on *"Financial behaviour and vulnerability to poverty in low-income households"*.



EMN published its fourth biannual Pan-European survey on the **"Study of the microcredit sector in the EU for the period 2008 – 2009"**. This was coordinated by the Nantik Lum Foundation, which coordinates the EMN Research Working Group. This study attracted a record number of participants with 170 stakeholders operating in 21 countries of the EU-25, Switzerland, Norway and Croatia. Of these, 71 are EMN members (i.e. 41.8% of survey participants). A new trend also emerged for the first time since the surveys began in 2003 with the number of microloans disbursed in Europe recording a negative growth rate of -7%.

As part of its strategic plan and in order to improve representation, the European Microfinance Network **opened an office in Brussels in January 2010** and recruited a new Senior Program Officer. This office has given a new dimension to the network and allows EMN to discuss and influence the projects of European bodies like the European Commission, the European Parliament and the European Investment Fund. EMN was therefore able to strengthen its links with other networks based in Brussels that are working in the areas of social exclusion, finance and banking. It was also able to expand the advocacy activities of the network and its members, both at European and national or regional level.

On 23 June, 2010, EMN members approved the adoption of a **new Code of Conduct**, giving priority to the principles of customer protection, in perfect alignment with the values of its members, its activities, its governance, the secretariat and, in particular, with the expectations of customers.

# 02.

## *The Action Plan*

During 2010, and in line with the Strategic Plan 2008-2010, EMN continued its policy of *growth, diversification* and *communication*.

Actions in 2010 were structured around five priority areas:

**Encouraging the growth, sustainability and the inclusion of members in the sector through capacity building, and facilitating the exchange of best practices and transparency.**

The growing membership of EMN and its diversity highlights the recognition of the network's work in the microfinance sector in Europe. Supporting development and providing technical and organisational assistance to its members continue to be priorities for EMN. The network also relied on the exchange of good practices and transparency among all European players.

**Promoting participation in the dialogue between various stakeholders in the sector, especially with the European institutions, member states, European networks and operators by providing relevant information.**

The quality of information delivered by the network is essential for all the sector stakeholders. The communication tools developed, the moments of exchange and discussion organised should give members and non-members the opportunity to create interactive dynamics for their practices and ways of working. The Network also expanded its research activities at European level with greater involvement from the scientific community.





**Promoting active participation in the changes and improvement of the microfinance regulatory framework for microfinance by influencing local and European policies through the establishment of appropriate partnerships with relevant players.**

EMN is now recognised as a reference contact among European bodies and states on all issues related to microfinance in Europe. On one hand, EMN's continued advocacy and lobbying activity enables it to be consulted on the implementation of policies on social and financial inclusion and on the development of microfinance at the European and national levels. On the other hand, this also enables EMN to partner members for any advocacy activity in their own country. The network can also play the role of intermediary in terms of information and technical assistance for microfinance European initiatives among all its members.

**Developing EMN governance processes and sustainability to serve a growing membership.**

The credibility of the network is based on its effectiveness and performance. The diversification of its funding sources and its growth, the efficiency of its secretariat and the coordination between its Paris and Brussels offices, the enrolment of new members, the recognition of social and environmental considerations in its strategy and activities, the question of the definitive location of its offices in Brussels, were all topics of discussion included in its action plan in 2010.

**Strengthening the involvement of members in EMN activities through the ongoing development of various working groups.**

Established in 2009, the working groups are building a real synergy between members, allowing them to discuss issues the sector is facing. Reflections and joint proposals, dissemination of the exchanges within the network and with key partners are the main features of the various working groups. The purpose of this ongoing dialogue is becoming a significant source of information among European institutions to influence policies related to microfinance.



# 03.

## Activities in 2010

### 3.1 Towards a growing interaction between members

In 2010, one of the priorities of EMN was to encourage the participation of members within the network and to increase the exchanges and the experiences of each one. The main actions were:



■ **TWO EXCHANGE VISITS** organised by EMN in partnership with its local members, namely an exchange visit to **Portugal** organised in partnership with **ANDC and Millennium BCP** with 15 participants representing five microfinance institutions (Italy, Spain, Hungary and Albania) and an exchange visit to **Poland** organized in partnership with the **MFC and Rural Development Foundation** with 6 participants representing FondiBesa (Albania). Participants had the opportunity to discover the special features of the microfinance sector in each of these countries through meetings with microentrepreneurs as well as institutional and private partners while sharing experiences and working methodologies of each institution. A practical way to learn!

■ **SIX "PEER TO PEER" VISITS** were organised. In March, **Transformando** (Spain) met **Nef** (United Kingdom); in May, **ANDC** (Portugal) visited **ADIE** (France), **Neem**

(Sweden) met with **Permico** (Italy) in July; **NCN** (Norway) met with **Qredits** (the Netherlands) and visited **Fejer Enterprise Agency** (Hungary) while **Qredits** (The Netherlands) visited **Fejer Enterprise Agency** (Hungary). Network members show a **great attraction** for this type of exchange.

■ **A CONSULTING MISSION** was organised with **NEEM** (Sweden) in March. Thirteen participants (future loan officers, managers, credit committee members and Board of Directors) took part in a three day training program on microfinance institution capacity building.

■ **FOUR TRAINING SESSIONS** were organised, including two in Paris (France) with a total of 15 participants and one in Brussels with 13 participants. The main topic for the training courses was "microfinance fundamentals". Another training course with participants took place during the EMN Annual

Conference in London on social performance measurement.

■ **New forms were added** to the "Best practices" section on "IT / Innovation" and "Young entrepreneurs". This information is intended to encourage microfinance operators in different contexts and countries to develop and improve their activities, approaches, methods and tactics in many areas. There are now **29 "good practices"** available for consultation on the EMN website.

■ **PROMOTION OF TRANSPARENCY.** Indicators for measuring members' performance have now been developed and validated. They also served as a base during the survey conducted by the Nantik Lum Foundation in partnership with EMN. A section on this topic will soon be available on the EMN website.



*The Microfinance Good Practices Europe Award was awarded to Qredits (The Netherlands)*

The € 50,000 Microfinances Good Practices Europe Award was presented to **Qredits** during the 7th EMN Annual Conference. **Qredits** began operations on 1 January 2009 and launched its website on 30 January 2009. Founded in November 2008, Qredits has 15 employees and a network of eight branches spread across the Netherlands. Qredits offers microloans up to a maximum of € 35,000 and an individual and personalised coaching service (the Klankbord coaching is provided by practising professionals while the telecoaching and the intensive coaching is conducted by professional coaches).

Two years after its creation, Qredits now has a portfolio of € 9,926,355 and more than 510 clients, of whom 31% are women. The institution won the award for its project *“New sustainable approach to microfinance. A blend of traditional banking and sophisticated IT support”*.

This is an approach based on the use of a sophisticated IT system and voluntary follow up of clients. More precisely, the system enables time saving needed to undertake certain activities including operational procedures, the choice of customers for the implementation of the follow up groups, accounting and reporting. Costs are thus reduced, allowing the institution to more easily achieve sustainability. This approach also enables a reduction in both the interest rate offered and the delinquency rate. Qredits has planned to achieve sustainability within two years.



*EMN members are showing a growing interest in “peer to peer visits”*

These visits are an original model since they are fully organised by the members themselves based on their current needs. These are privileged moments of encounter and experience. EMN approved six “peer to peer” visits in 2010. In March, **Transformando** (Spain) met **Nef** (United Kingdom) in order to study their coaching program service BizFizz. In May, **ANDC** (Portugal) visited **Adie** (France) in order to gain a better understanding of the monitoring, control and management tools of the French institution, Secondly the exchange aimed to share an understanding of the evolution of microcredit in France, particularly from a legal point of view, and the way in which Adie adapted itself to these changes. Since ANDC faced similar issues, it wished to see how ADIE was meeting the challenges faced by the sector. **Neem** (Sweden) visited **Permico** (Italy) in order to better understand their working method (strengths and weaknesses) and to understand the challenges faced by Permico. In November, **NCN** (Norway) met **Qredits** (Netherlands) and **Fejer Enterprise Agency** (Hungary) to discuss IT systems. NCN wishes to implement a client information management system, drawing on Dutch and Hungarian experiences. Similarly, Qredits met Fejer Enterprise Agency at the end of the year for an exchange on the issue of IT systems and to replicate the system developed by Fejer Enterprise Agency as part of its activities.



## 3.2 An enhanced dialogue with our partners

EMN aims to become the focal point for the mobilisation and flow of information and for the development of microfinance in Europe and to undertake studies as well as promote research studies on major current issues while maintaining a permanent dialogue with all bodies representing the sector.



## EMN Communication Resources:



■ In 2010 **the website** was enhanced with the creation of new sections on “Code of Conduct”, “EMN Working Groups”, “The European Year 2010 for Combating Poverty and Social Exclusion” and “Financial Exclusion in Europe”. A new discussion was launched on the **Forum de discussion** on the role of banks in the microfinance sector in Europe. This was a resounding success. The **Media section** was considerably enhanced with the launch of a monthly “entrepreneur testimonial”. With the aim of increasing transparency and better presentation, EMN developed a **new interface** for its website, thereby improving the accessibility and clarity of the information presented. Similarly, two new search engines were created, one for the best practices section and another one for the on-line library.

■ In addition, EMN continued to **release daily information** on its website throughout the year with the publication of 99 news items, including 24 news on the European Union, as well as 93 job offers and 61 events. 45 documents and various studies were published online. Four quarterly newsletters and six

Flash News on the EMN website activity also provided information for the public on the microfinance sector. The “Microfinance Europe” magazine was published and dealt with “Banks and Microfinance in Europe” while the eighth issue of the Magazine focused on “Asset Building”. Two “EMN Notes” on “Overview of the microcredit sector in the European Union 2008-2009” and “Microfinance and the National Action Plans for Social Inclusion” were also published.



■ **A special book including the stories of microentrepreneurs** working with EMN members was also published within the framework of the European Year 2010 for Combating Poverty and Social Exclusion.

■ EMN has had a presence on social networks since February 2010 and it is now possible to follow the news and events of EMN on **Facebook** and **Twitter**.

■ **The Annual Conference held in London** in June 2010 was a high point for discussion and exchange between actors in the sector. It attracted over 300 participants and included 13 workshops, six working groups meetings, with the presence and active participation of representatives of the major financial institutions and the European Union. The



conference focused on the challenges of a changing Europe, including adapting to the political context, ensuring that expansion does not come at the expenses of the mission, measuring social impact, reaching the socially excluded and identifying new funding sources.

■ A new meeting format was also launched, namely the **EMN Debates**. These Debates enable discussions around a specific topic related to the news from various partners and thereby contribute to the dissemination of knowledge about microfinance in Europe.

**Three Debates** were held in Brussels:

- Microfinance as a response to the crisis: European Microfinance program PROGRESS (July).
- Microfinance in Europe, a presentation of the current state of microfinance in Europe and a discussion of its social implications (September).
- Asset Building: Going beyond microcredit to fight poverty in Europe (December)...

■ The EMN and its members also participated in **several European projects**:

- Project “European Year 2010 for Combating Poverty and Social Exclusion” designated by the European Commission. EMN promoted microcredit in this context as a tool for social and financial inclusion.
- FEFAE Partnership: “Financial education to fight adult exclusion” within the framework of the Grundtvig program
- Project “Migrants in the Spotlight”, co-organised by Hivos and Intent (Netherlands).

## *Migrants in the spotlight*



«**Migrants in the Spotlight**» is a European project jointly led by Hivos and Intent (Netherlands). Its goal is to raise awareness and strengthen action within immigrant communities in Europe to contribute to the sustainable development of their native countries.

**EMN** and two of its members, **FEBA** (First Enterprise Business Agency) and **Neem** (Network for Entrepreneurs from Ethnic Minorities), organised two events as part of this project. In addition, FEBA awarded its Entrepreneurship Development Prize (sponsored by We Share) to Mr Charles Karuga for his company, Action Security Solution Ltd., which has its head office in the UK and a branch in Kenya. Similarly, NEEM organised a workshop in Stockholm aiming at linking the East African diasporas living in Sweden to their home countries through entrepreneurial activities.

EMN also participated in a November conference in Sweden on “The business diaspora as a creator of wealth in the host and home countries”. The conference showcased microfinance as a tool for integration of immigrants in Europe.

## *2010, European year for combating poverty and social exclusion*



The European Commission declared 2010 «**European Year for combating poverty and social exclusion**». Currently, 80 million citizens of the European Union (17% of the total population) live at risk of poverty. However, EMN and its members have a great opportunity to become involved in this campaign to highlight the **link between social and financial exclusion and to promote microfinance as an effective tool to fight poverty**. Since the start of the campaign, EMN has participated in meetings on this issue organised by the European Anti-Poverty Network (EAPN) in Brussels.

During the year, **EMN** also relayed information on the issue through its communication resources (website, newsletter, biannual magazine). The EMN Annual Conference, which was held in London in partnership with the CDFE, also addressed the issue with the theme: “2010: A changing Europe – combating poverty, supporting entrepreneurship”. In addition, EMN participated in various European Conferences including the 9<sup>th</sup> European Round Table on poverty and social exclusion and the Participatory Forum, which involved the organization of a circus against exclusion, at the Final Conference of the European Year held in December.

Many initiatives were also **implemented by EMN members**. **Network Credit of Norway** (Norway) organised a seminar on social entrepreneurship. **Banco Mundial de la Mujer** (WWB Spain) dedicated its 8<sup>th</sup> Conference to the fight against poverty. Meanwhile, Adie (France) promoted five video clips made by young film makers from disadvantaged areas who received microcredit loans at the Opening Ceremony of the Microcredit Conference held in June. Finally, two EMN members presented the outcomes of various research missions at the Interactive Forum. **FAER IFN SA** (Romania) gave a presentation on microcredit and vocational training while the **Fédération Nationale des Caisses d’Epargne** (FNCE), in partnership with **France Active** (France), presented on personal and professional microcredit as a means to promote social inclusion. EMN also published a book entitled “**Thank You**” which presented 28 stories of microentrepreneurs funded by its members.

*EMN continues to maintain its commitment to the project on Financial Education to Fight Adult Exclusion.*

Following the FEVA Partnership, which ended in 2009, the project partners decided to continue their actions and reflections within the framework of a **new partnership, FEFEA**, implemented within the **Grundtvig programme**, for a two-year period (2010-2012).

This new partnership, which is coordinated by EMN, aims to develop financial education as a **tool to fight adult exclusion, particularly for vulnerable adults**, (prisoners, unemployed living on benefits, microcredit beneficiaries, women in precarious situations, immigrants ....). In continuity with the FEVA partnership, the new partners intend to share best practices in the field of financial education for vulnerable adults, to develop the range of products on offer and to bring together financial education services providers in order to capitalise on their experience while providing a common centre where potential beneficiaries can train and learn.

**The first meeting took place in Oradea** (Romania) from 3 to 5 November 2010. The partners defined their goals, developed a calendar and decided on the activities and projects that they intend to implement over the course of the two-year partnership.



## 3.3 Consolidation of EMN working groups

The working groups, which were launched last year under the 2008-2010 strategic plan, continued their **joint discussions** in their specific fields. The participation of members reflects the **importance of establishing coordinated policy frameworks** to address the issues the sector is facing. Each working group set its agenda for 2010. The main results of their meetings are presented below.

### «Social Performance Measurement» Working Group

Coordinated by Triodos Facet (The Netherlands), the priority of this group was to obtain **a clear picture of the views of EMN members on the significance and maturity of social performance**. In order to promote debate, new organizations have been invited to join. After defining the concept of "social performance", the working group developed a series of indicators in order to observe, manage and measure social performance (based on the mix and on the Social Performance Taskforce) within the framework of a practical approach for EMN members adapted to the European context.

The working group also participated in drafting a questionnaire on social performance for the study on the microcredit sector 2008-2009. This was coordinated by Nantik Lum (Research Working Group).

The working group also delivered a training course on the management of social performance as well as a workshop on measuring social impact during the EMN Annual Conference.

### «Research» Working Group

Coordinated by Nantik Lum (Spain), the Research Working Group brings together researchers, academics and experts who collaborate in **joint research projects** in the field of microfinance in Europe.

**2010 was a fruitful year for the group.** A major project was the publication of the *"Guide to microcredit in Europe - Social inclusion through microenterprise development"*. The group also coordinated the fourth biennial Pan-European survey on microfinance institutions covering the period 2008-2009. This survey recorded a high level of participation with 170 microfinance operators working in 21 countries of the EU-27, including Croatia, which completed the questionnaire.

It was decided that the topic for the next issue of the Electronic Research Bulletin (eRB) would be a social performance study on how to develop a European framework for measuring and managing the impact of social performance. The bulletin will also include a glossary.

The Research Working Group enhanced its website with the publication of a number of documents, events and news. It thus remains a reference point for research on European microfinance:

[www.european-microfinance.org/rwg/](http://www.european-microfinance.org/rwg/)

### «Legal Framework and Regulation» Working Group

Coordinated by Réseau Financement Alternatif (Belgium), the group launched the first **advocacy network within EMN** with one national representative per country. A set of **"best advocacy practices"** and a synthesis of legislation, tools and available funding at European level (including "where to go") are now available upon request.

During 2010, the group lobbied members of the European Parliament and local authorities responsible for National Action Plans on microfinance as a tool to promote social inclusion at European and national levels. The stated objective is the inclusion of microfinance in the Action Plans for 2011-2013. Another priority was to support EMN members in their advocacy efforts at the national level. This resulted in the distribution of a letter from EMN President on the importance of microfinance within the current European priorities and in the future European strategy for 2020.

The working group also discussed the panorama of legislative and regulatory frameworks in each country during one of its meetings in order to share best national practices and suggest improvements in terms of regulation.

### «Information Technologies and Innovation» Working Group

Coordinated by the Giordano Dell'Amore Foundation (Italy), the main mission of this working group was to **promote innovation** as an effective force for the sector. Group members decided that any further action should be based on industry knowledge and on the knowledge of the level of adoption and use of IT and innovation platforms. Thus, the group included several questions on the subject in the survey on the microcredit sector for 2008-2009. Both Fejer Enterprise Agency (FEA-Hungary) and Qredits (The Netherlands) offer their IT platforms free to any interested European MFI.

During EMN Annual Conference, the working group organised a workshop entitled "Internet-based technology in microfinance: Improving the quality of services", which included the presentation of three different IT platforms: FEA, Qredits and PSYBT.

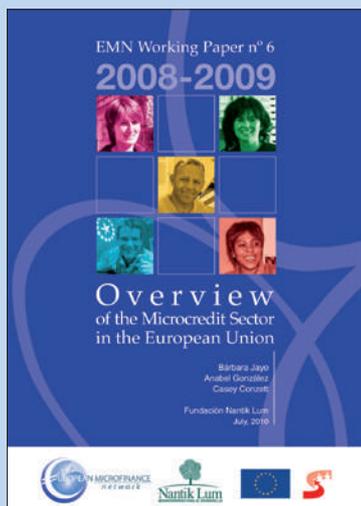
The working group also prepared a survey on the needs of MFIs in Europe in the field of IT management systems, which is to be launched in 2011.

### «Asset Building» Working Group

Launched during its first meeting held on 23 June, 2010, this working group is coordinated by the International Association for Community Development (IACD - United Kingdom). It pursued two objectives, namely **to influence** policy by supporting asset building at European, national and regional levels and **to offer** EMN members an opportunity to share their experiences and skills. Group members maintain that people with low incomes are able to save and achieve long-term projects.

Asset building enables them to put an end to the vicious circle of poverty, to plan for the future, to reduce financial risk and to improve the living conditions of families. The analysis of two case studies by Autonomia Foundation (Hungary) and CAF (Spain) led the group to the conclusion that an assessment of the asset building, savings and political contexts in various European countries is a prerequisite for any action.





*EMN published the “Overview of the microcredit sector in the European Union 2008 – 2009” which was produced under the coordination of the Nantik Lum Foundation.*

This fourth survey broke several records by collecting data from **170 microfinance operators** from **21 countries** of the EU / EFTA countries and Croatia. Of these, 71 were EMN members (i.e. 41.8% of respondents). The main results are presented below.

## SECTOR GROWTH

84,523 microcredits were granted in 2009 for a total of € 828 million. EMN members granted 46,315 of these (i.e. 54.6% of the total number) for a total of € 340 million (i.e. 41.1% of the total). **For the first time** since the surveys began in 2003, **the number of microloans disbursed in Europe showed a negative growth rate.** This was true for all respondents (-7%) and for EMN members (-8%) but especially for those from Bulgaria, Croatia and Romania. On the other hand, outstanding loans measured in euros increased by 3%, from € 802 million in 2008 to € 828 million in 2009.

## OPERATORS

The types of microfinance operators vary considerably between countries. In Western Europe, operators are mainly NGOs and associations whereas in Eastern Europe, where MFIs are able to accept deposits, there is a greater number of for-profit organisations (Bulgaria and Romania), cooperatives and non-banking financial institutions. Moreover, **banks are now increasingly involved in microcredit activities.** The banks represented 12% of survey respondents, 40% of the total value of European microcredits and 7% of customers. Finally, most MFIs offered support services to their customers.

## BENEFICIARIES

There were 135,815 active customers at the end of 2010 compared with 121,677 at the end of 2007. The survey showed that non-bankable customers are a majority for the 170 microcredit providers (30% bankable, 70% non-bankable). **EMN members place more emphasis on non-bankable clients** (80% of customers). In addition, 36% of loans disbursed by **EMN** members in 2009 were granted to women (compared with only 27% of the total number of loans disbursed), 34% to immigrants and ethnic minorities (13% of the total) and 19% to young people between 18 and 25 years (11% of the total).

## PERFORMANCE

The number of indicators monitored by MFIs is still low but has increased since the last survey.

- The average repayment rate is 83% (down by 6% compared with the previous survey)
- Portfolios at risk: 16% (+2%)
- Average dropout rate: 5.2% (similar to the previous survey)

These elements clearly illustrate the impact of the crisis in Europe.

## CONSTRAINTS AND CHALLENGES

The lack of specific regulation of microfinance is a hindrance to business development as the needs remain great. As in the previous survey, the main concern for microcredit organisations remains the sustainability of the activity and the search for stable funding.

## CHALLENGES

- **An external environment** affected by an industry of developed and competitive financial services in which a growing number of operators are offering consumer loans at very high interest rates and where families are increasingly over-indebted.
- **A large scale welfare system** that does not encourage citizens to take steps toward self-employment.
- **A lack of entrepreneurial culture** and little incentive to develop it at all levels of society.
- **A lack of capital** to cover the operational costs of MFIs. Most of the funds received are short term and based on a project approach.
- **A very significant dependency** on the public sector in terms of the search of income and capital. Income saved is low due to low interest rates.
- **An unfavourable legal framework** owing to the introduction of a law on the usury rate which prevents the sector from developing.

There are many challenges but the MFIs have a strong desire to address them in order to develop a successful sector. Each year, the number of MFIs increases, their performance improves and best practices develop.

## 3.4 Strengthening of advocacy activities for an increased recognition of the sector

The purpose of EMN is to promote microfinance in Europe. 2010 was a year of implementation of advocacy activities for the network. In accordance with the action plan and in order to structure the process of active lobbying, EMN **opened an office in Brussels** and hired a Senior Program Officer in January. The goal for 2010 was to strengthen the position of EMN among local and European policies through the implementation of appropriate partnerships with significant stakeholders and thus contribute to changes and improvement of regulatory framework and to the recognition of microfinance.

**Consultation took place with the European Union** on the definition of the future strategy "EU 2020", which will replace the current Lisbon Strategy. EMN submitted a response in January, focusing on the role of microfinance as a tool of social and financial inclusion policies.

**An active lobbying approach** was implemented with all EU partners. EMN has consolidated its alliances. It was represented at five European conferences in Brussels and Madrid and participated in seven high-level meetings with European institutions, particularly with the European Commission (DG Employment, DG Enterprise and DG Regional Policy), the European Parliament, the European Investment Fund and the European Social Fund. EMN identified **a contact reference** for each policy operator.

Links were also strengthened with eight **European networks**. EMN participated in the annual conferences of FEBEA (European Federation of Financial Ethical and Alternative Banks) and INAISE (International Association of Investors in the Social Economy). The network also developed working relationships with the Institute of European Savings Banks, EAPN (European Anti-Poverty Network), Eurocities, FEANTSA (European Federation of National Associations Working with the Homeless) and Caritas.

Finally, the Senior Program Officer intensified relationships with **many EMN members** through individual meetings, exchange visits, conferences and the participation in two working groups, namely the Legal and Regulatory Environment Group and the Asset Building Group.

**EMN maintained its commitment** to improve the advocacy activities of its members at national and regional levels. In this context, the network issued a letter to its members stressing *the need to include the issue of microfinance in national social policies and in the future European strategy 2020* as an effective tool to promote social inclusion and to reduce poverty.

EMN also maintained a **strong involvement in monitoring the implementation of the European Initiative Jasmine**, which offers to provide technical assistance to microfinance institutions to strengthen their internal capacity and improve their governance. This assistance comes in two parts, namely a full evaluation of the MFI conducted by a rating agency as well as training workshops on the shortcomings highlighted by the evaluation. Thus in 2010, ten EMN members benefited from a complete evaluation and training: CréaSol (France), PSYBT (United Kingdom), CP'AC Foundation (Spain), PerMicro (Italy), Omro and Faer (Romania), Mikrofund and Nachala (Bulgaria),

Primom and FEA (Hungary). A new call for proposals was launched in October 2010. Ten candidates were selected to receive technical assistance, including seven microfinance institutions that are members of EMN. The Jasmine pilot project will end in late 2011.

EMN actively participated in the **«Microfinance en Europe»**, Conference held in November in Brussels and organised jointly by the European Commission and the European Investment Bank in order to mark the **official launch of the Progress European Facility to promote Microfinance**. With an initial budget of € 100, million which should enable € 500 million of microcredit to be generated, the Progress Microfinance Facility works with MFIs to enable them to grant additional microcredits. The call for proposals was launched in 2010.

## *The Progress European Facility to promote Microfinance*



The **Progress European Microfinance Facility** is the second initiative of the European Union to promote the development of the microfinance sector. It was implemented in March 2010 and has a budget of € 200 million from the European Commission and the European Investment Bank. Progress does not provide funding directly to entrepreneurs. Instead, it uses intermediaries such as microfinance institutions and gives them the ability to offer more money and reach new customers. Two tools are available to do this, namely the offer of guarantees to MFIs, which allow participation in default risks and financial tools such as loans, and equity grants to increase the number of loans granted.

The objectives of Progress are in line with those of Jasmine, namely to enable social and financial inclusion of people without access to mainstream banks. The first microfinance providers selected by the European Investment Fund will be made known in 2011.

## 3.5 Organisation and governance

EMN made a decision to strengthen its governance processes in order to respond to continuing growth in the number of members, the involvement of EMN in all major European projects, the increased number of its contacts and in particular to its ambition to become the European-level referral partner in the microfinance field. Moreover, the objective of the EMN secretariat is to consolidate its development and sustainability by achieving a reasonable balance of its funding sources.

■ **Five meetings of the Board of Directors** took place in 2010 in line with annual targets.

■ On June 23, 2010, EMN members confirmed **confirmed the adoption of a new Code of Conduct**, giving **priority to the principles of customer protection**, in perfect alignment with the values of its members, its activities, its governance, the secretariat and especially with the expectations of customers.

■ **Consolidation of funding sources:** EMN negotiated a new two-year agreement from the Levi Strauss Foundation for the period 2010-2011. It was also able to renew its agreement with the European Commission within the framework of the Progress programme to support European networks fighting social exclusion.

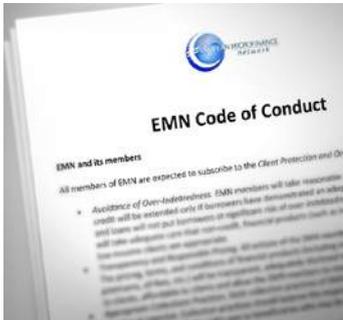
■ **At the end of the year, EMN had 87 members** from 21 European countries. Five new members joined the network in 2010, including two new corporate members.



### *Departure of the EMN Director*

**Philippe Guichandut** left EMN after seven years as Executive Director. Philippe, who was the first Director of EMN, had a strong impact on the early development of the network through his commitment and his faith in the possibility of its expansion and by enabling EMN to gain the recognition and visibility it has today. In November 2010 he joined the Grameen Crédit Agricole Microfinance Foundation as Development and Technical Assistance Director. The secretariat, Board members and EMN members wish him all the best in his future career plans.

## Adoption of a new Code of Conduct



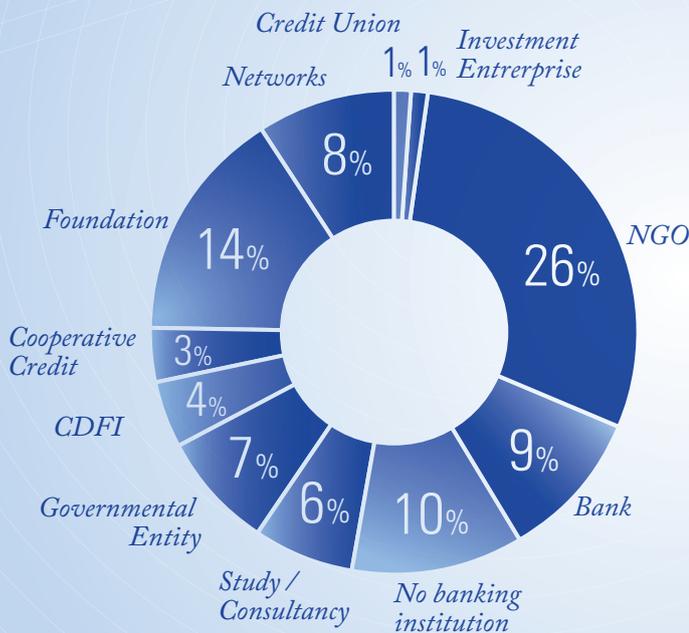
At its General Assembly on 23 June, 2010, EMN members adopted a new Code of Conduct that supports the **principles of customer protection** and is consistent with the values of all EMN stakeholders.

*Why adopt a Code of Conduct?* Since its creation, EMN and its members have been committed to serve the socially and financially excluded, particularly those who are denied access to financial services to fund the development or creation of their own employment and / or microenterprise. The nature of the microfinance industry is evolving rapidly and it therefore became necessary to develop a means for sharing a minimum of common values and approaches. The EMN Code of Conduct is thus a necessary tool for achieving a common commitment. It may help some organisations to reformulate their strategies and others to develop new services better adapted to the changing needs of customers. In adopting the Code, the EMN aims to implement it and to promote it and thus enable it to become fully operational.

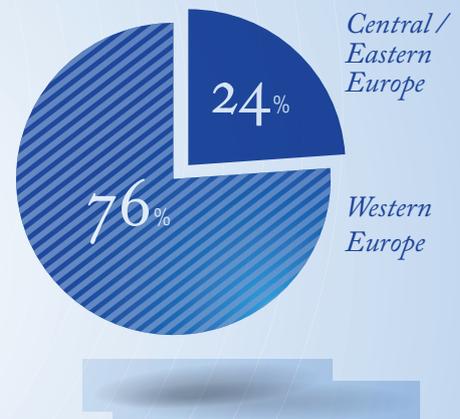
## EMN Members

As of 31 December, 2010, there were **87** members located in **21** European countries

### TYPE OF INSTITUTION



### GEOGRAPHICAL DISTRIBUTION



### MEMBERSHIP



## Board of Directors

At the **General Assembly**, held on 24 June, 2010 in London, EMN members re-elected three **Board members**:

Jean-Pierre Watthy, Treasurer (Fonds de Participation - Belgium), Joyce Kimwaga, Secretary (NEEM - Sweden) and Silvia Rico (Foro Nantik Lum de Microfinanzas - Spain). They also elected a new member: Helena Mena (Millennium BCP - Portugal).

The Board of Directors now comprises:

- **Klaas Molenaar** - President (Triodos Facet - The Netherlands)
- **Maria Doiciu** - Vice-president (Eurom - Romania)
- **Giampietro Pizzo** - Vice-president (Microfinanza - Italy)
- **Jean-Pierre Watthy** - Treasurer (Fonds de Participation - Belgium)
- **Joyce Kimwaga** (NEEM - Sweden)
- **Faisel Rahman** (Fair Finance - United Kingdom)
- **Silvia Rico** (Foro Nantik Lum de Microfinanzas - Spain)
- **Helena Mena** (Millennium bcp - Portugal)





## *Organisation and Human Resources*

In late 2010, **Daniel Sorrosal** was appointed Managing Director of EMN following the departure of Philippe Guichandut. The EMN team also includes **Maria Franco**, Communication and Administration Manager, and **Stefanie Laemmermann**, Program Manager. **Emmanuel Moyart** also conducted a consulting mission on behalf of EMN. Two students, **Cristiana Finotti** and **Hortense Giraud**, worked for EMN as interns. Their work focused mainly on updating the website and preparing the conference. The team also benefited from the support of **Cesarea Brisbois** and **Keith Luckcuck**, EMN volunteers who assisted EMN in the development of its activities.

A group of consultants worked for EMN on training and technical assistance.

## *Financial Resources*

**EMN** was supported by its members through annual fees and through their financial participation in the various activities organised by EMN (conference, exchange visits, training, research).

**EMN** meets the remainder of its expenses through the participation of third parties. Such funds come mainly from the European Commission and the DG Employment, Social Affairs and Equal Opportunities, for its major activities under the three-year agreement of the PROGRESS program and the support to European networks fighting social exclusion and poverty.

**EMN** also benefited indirectly from other funds of the European Commission within the framework of the Grundtvig project on Financial Education and the “Migrants in the spotlight” project through Hivos.

**EMN** also received private funding, particularly from:

- Caisse des Dépôts et Consignations within the framework of a consultancy mission to assess the personal microcredit program in France.
- BNP Paribas, Crédit Coopératif, the Levi Strauss Foundation, MicroBank, Lloyds, Barclays Bank, the EIF, Unity Trust Bank, Royal Bank of Scotland, The Department for Business, Innovation and Skills and the Charity Bank. All these institutions offered their support to the 7<sup>th</sup> EMN Annual Conference held in London.

The remainder of its resources come from its various activities and services.

Expenditure is divided into three categories: core activities (mainly the exchange of information and staff), member services (mainly training, consulting, technical assistance, conferences and exchange visits) and programs (in 2010, “Migrants in the spotlight” and Grundtvig programs).

# 04.

## Annual Financial Accounts

### Financial Report

EMN accounts were audited by an external auditor, Deloitte & Associates, and present the income and expenditure of EMN between 1 January and 31 December 2010.

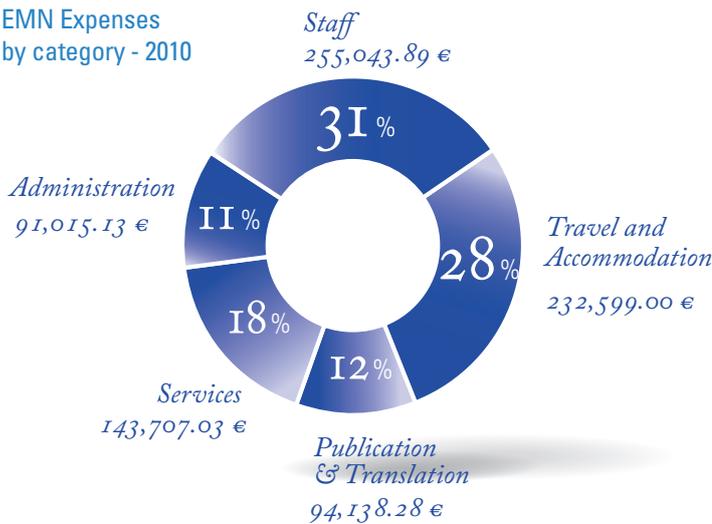
#### INCOME STATEMENT 12/31/2010

<i>Expenditures</i>	2010	2009	<i>Revenues</i>	2010	2009
<b>Core activities</b>					
Staff	€ 125,638.69	€ 133,847.85	Membership fee	€ 58,650.00	€ 55,150.00
Travel and Accommodation	€ 68,284.72	€ 39,894.03	Misc. & financial revenues	€ 32,991.53	€ 3,515.36
Publication & Translation	€ 52,532.24	€ 43,388.28	EU	€ 258,423.40	€ 200,020.16
Services	€ 82,079.19	€ 35,956.86	Private funds	€ 18,533.62	
Administration	€ 84,358.83	€ 52,384.99			
Provision		-			
Sub-total core activities	€ 412,893.67	€ 305,472.01		€ 368,598.55	€ 258,685.52
Balance core activities				€ -44,295.13	€ -46,786.49
<b>Services</b>					
Staff	€ 129,405.20	€ 85,856.01	Formation	€ 3,055.00	€ 12,312.00
Travel and Accommodation	€ 161,692.43	€ 92,478.82	Conférence	€ 152,946.88	€ 98,881.46
Publication & Translation	€ 41,606.04	€ 22,603.54	Visite Echange	€ 11,012.57	€ -
Services	€ 61,627.84	€ 78,717.45	Consultance	€ 7,464.00	€ 32,580.00
Administration	€ 6,656.30	€ 6,969.09	Magic partnership	€ 1,047.64	€ 3,020.21
			Doneurs	€ 18,533.62	€ 10,000.00
			UE	€ 242,094.88	€ 166,875.07
Sub-total Services	€ 400,987.81	€ 286,624.91		€ 436,154.59	€ 323,668.74
Balance Services	€ 35,166.78	€ 37,043.83			
<b>Programmes</b>					
Staff					
Travel and Accommodation	€ 2,621.85	€ 36,377.46	EU		€ 32,627.91
Publication & Translation			Caisse des Dépôts		€ 11,167.89
Services		€ 9,491.85	International Labor Organization		€ 39,269.10
Administration		€ 316.57	Various	€ 7,463.82	€ 4,010.36
Sub-total Programmes	€ 2,621.85	€ 46,185.88		€ 7,463.82	€ 87,075.26
Balance Programmes	€ 4,841.97	€ 40,889.38			
<b>Dedicated Funds</b>					
Global Surplus	-4,286.38	31,146.72			
<b>Total Expenditures :</b>	<b>€ 812,216.96</b>	<b>€ 669,429.52</b>	<b>Total revenues</b>	<b>€ 812,216.96</b>	<b>€ 669,429.52</b>

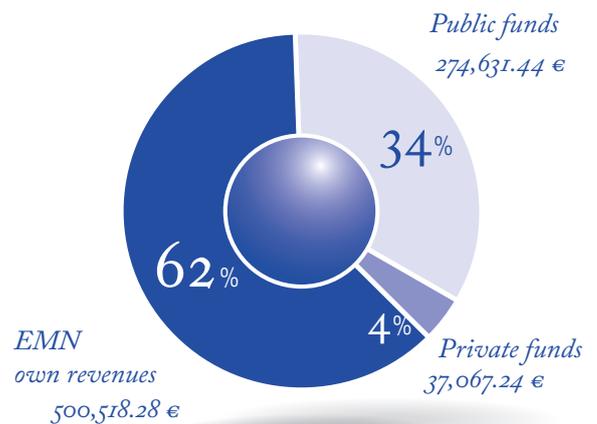
**BALANCE SHEET AS OF 12/31/2009**

<i>Assets</i>	2010	2009	<i>Equity and liabilities</i>	2010	2009
<b>LONG TERM ASSETS</b>			<b>OWN AND GENERAL FUNDS</b>		
	€ 55,390.48	€ 6,896.84	Own funds	€ 195,554.78	€ 164,408.06
			Surplus of the year	€ -4,286.38	€ 31,146.72
<b>Total I</b>	€ 55,390.48	€ 6,896.84	<b>Total I</b>	€ 191,268.40	€ 195,554.78
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
			Provisions for risk		€ 26,500.00
			Dedicated Funds		
			<b>Total II</b>	€ -	€ 26,500.00
Accounts Receivable	€ 122,148.11	€ 84,589.68	Accounts payable	€ 66,721.16	€ 39,504.84
Savings accounts	€ 371,874.13	€ 178,737.44	Fiscal and social debts	€ 41,988.11	€ 38,474.95
Bank	€ 57,836.56	€ 61,829.01	Other debts	€ 57,373.38	€ 32,587.05
Prepaid Expenses	€ 14,301.10	€ 568.65	Revenue received in advance	€ 264,199.33	
<b>Total II</b>	€ 566,159.90	€ 325,724.78	<b>Total III</b>	€ 430,281.98	€ 110,566.84
<b>TOTAL GENERAL (I+II)</b>	€ 621,550.38	€ 332,621.62	<b>TOTAL GENERAL (I+II+III)</b>	€ 621,550.38	€ 332,621.62

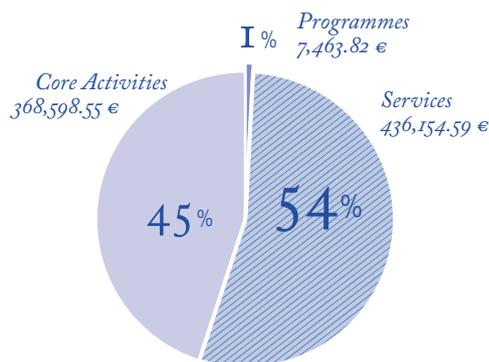
EMN Expenses by category - 2010



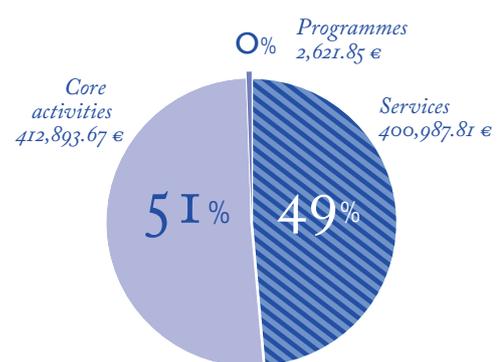
EMN Revenues by category - 2010



EMN Revenues by activity - 2010



EMN Expenses by activity - 2010



# Vision

The **European Microfinance Network** envisions a society in which micro-entrepreneurs and all those who are financially and socially excluded have access to the full range of financial services that empower them to improve their livelihoods. **EMN** will work to strengthen bridges to the mainstream economy by fostering a range of financial institutions that serve all segments of the population in Europe.

# Mission

The mission of **EMN** is to promote microfinance as a tool to fight social and economic exclusion by developing self-employment and micro entrepreneurship. This will be achieved by supporting the development of microfinance organisations through the dissemination of good practices and by improving the regulatory framework at European Union and Member State levels.



# Values

**EMN** members recognise the capacity of all human beings to create and become entrepreneurs.

By trusting them, they help them to recover self-confidence. By accepting them as actors and not objects of social policies, they help to change public opinion regarding people excluded from the labour market.

By supporting development of self-employment and micro enterprises, they participate in the new economic revolution, which is not based on wage labour alone.

**EMN** members consider that beyond emergency situations and solidarity with those who are not able to work, relations between citizens should be based on exchange and not grant. By integrating with the market economy, microcredit contributes to opening it towards social issues.

**EMN** members consider that micro credit is a financial tool and should, as such, respect the principles of financial management. Its goal is to support the creation of sustainable microfinance programs and institutions opening access to credit and other financial services to all segments of the population.

These programs or institutions should therefore progressively cover their costs.

**EMN** action is part of the European social model, based on the Lisbon Strategy. It is based on the idea that growth and competitiveness are closely linked with social cohesion and that the mobilization of growth potential requires the participation of all men and women who are presently neglected by economic policies or excluded from economic activity.



# 05.

## Members' List

As of 31 December, 2010, EMN has 87 members and partners located in 21 European countries. Of these, 65 are active members, two are founding members\*, 11 are corporate members\*\* and nine are partners\*\*\*.

Country	Membres	
Albania	fondiBesa***	
Belgium	Brusoc	Coopest
	CREDAL - Crédit Alternatif	Fonds de Participation
	RFA - Réseau Financement Alternatif***	SOWALFIN
Bosnia-Herzegovina	LokMikro***	Partner Mikrokreditna Organizacija***
Bulgaria	Mikrofond EAD	Nachala Cooperative
Croatia	DEMOS	
Finland	Finnvera	
France	Adie*	Afile 77
	BNP Paribas Groupe Microfinance**	Chaire de Microfinance Audencia Nantes
	CréA-Sol	Crédit Coopératif**
	Fédération Nationale des Caisses d'Épargne***	France Active
	France Initiative**	
Germany	DMI	evers&jung*
	.garage	
Hungary	Fejer Enterprise Agency	The Hungarian Microfinance Network
Ireland	First-Step Microfinance	
Italy	Banca Popolare Etica**	Fondazione Don Mario Operti Onlus
	Fondazione Risorsa Donna	Fondazione Giordano Dell'Amore
	Forum per la Finanza Sostenibile	Micro.Bo - Associazione per lo sviluppo della microfinanza a Bologna
	Microfinanza srl	PerMicro
Norway	Cultura Bank	NCN - Network Credit Norway
Poland	Inicjatywa Mikro	MFC***
	PSFP - Polish Association of Loan Funds	Rural Development Foundation
Portugal	ANDC - Associação Nacional de Direito ao Crédito	Millennium bcp**
Romania	Eurom Consultancy & Studies	FAER NFI S.A.
	Fair Credit House	Good.bee Credit
	OMRO - Opportunity Microcredit Romania**	Patria Credit®
	ROMCOM S.A.	S.C.M. Aurora IFN S.A.
	UNCAR SR	
Russia	The Russian Microfinance Center***	
Spain	ACAF	BBK - Bilbao Bizkaia Kutxa**
	CP'AC	Cruz Roja Española
	FIDEM	Fundación Caja Granada Desarrollo Solidario**
	Fundación Cajasol**	Fundación ICO
	Marcelo Abbad Consultoria Social	MicroBank**
	MITA ONG	Nantik Lum
	Caixa Catalunya Inclusió Social	PIGNUS***
	SURT	Trans-Formando
	WWB España - Banco Mundial de la Mujer	
	Sweden	NEEM - Network for Entrepreneurs from Ethnic Minorities
Switzerland	AKAM - Aga Khan Agency for Microfinance	Microcrédit Solidaire Suisse
The Netherlands	Center for Microfinance INHolland University	HandsOn
	Qredits	NL Agency (anciennement SenterNovem)**
	TriodosFacet	
United Kingdom	Business Finance Solutions	DSL - Business Finance
	Fair Finance	FEBA - First Enterprise Business Agency Ltd.
	Foundation East	IACD (International Association for Community Development)***
	PSYBT - The Prince's Scottish Youth Business Trust	WEETU





*European Microfinance Network*  
*Réseau Européen de la Microfinance*

*Paris*

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