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# COPIE 2 – subcop Access to Finance

## Meeting in Flanders

12<sup>th</sup> -13<sup>th</sup> May 2011

Crowne Plaza la Palace  
Gineststraat 3  
1210 Brussels

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## Meeting Report

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June 9th, 2011



## Present:

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Bastiaensen	Johan	University of Antwerp
Braunling	Gerhard	European Commission
Brix	Florian	iq consult
Bytautas	Arturas	Ministry of Social Security and Labour
Cahen	Marion	Hefboom
Callewaert	sophie	vlaamse overheid
Collet	Luk	Unizo
Colson	Joeri	ESF Flanders
De Niel	Jo	Hefboom
De Troy	Dorien	CIMIC
Delaere	Olivier	Zenitor
Dudek	Pavel	Ministry of Labour and Social Affairs, Labour Market Department
Egana	Benat	iq consult
Georgopalis	Antonio	ESF- Agentschap Vlaanderen
Gorostegui	Ana	MACS- Consultoría Social
Huyveneers	Kathleen	VDAB
Jetmar	Marek	Thematic Network for Social Economy (TESSEA),
Jimenez		
Romero	Aurelio	Camaras Fundacion Incyde
Johnson	Toby	AEIDL
Jonusaite	VIKTORIJA	Invega
Jurgens	Mechthild	Bundesministerium für Arbeit und Soziales (BMAS)
Kindt	Frank	Participatiefonds
Kucera	Filip	Ministry of Labour and Social Affairs czech republic
Maas	Brigitte	DMI
Maier	Andrea	European Commission
Maleszka	Frank	Stebo vzw
Messiaen	Maarten	Minderhedenforum
Murycova	Petra	Ministry of Labour and Social Affairs Czech Republic
Pieters	Jeroen	Unizo
Reuter	Bettina	Bundesministerium für Arbeit und Soziales Abteilung
Reynders	Corinne	Tussenstap
Sorrosal	Daniel	European Microfinance Network
Suykens	Clemence	Syntra Vlaanderen
Tamosaityte	Jarata	Lithuanian Central Credit Union
Taverniers	Jef	Febea
Trávníček,	Tomáš	Ministry of Labour and Social Affairs, ESF OP HRE Intermediate Body
Van Bulck	Ivo	Febelfin
Vandenbussche	Liesbet	Unizo

Vanderweyden	Katrijn	Serv
Vandeweghe	Ruben	Hefboom
Vermoeren	Pol	Zenitor
Vertongen	Jaak	Unizo
Vervloet	Louis	ESF Flanders
Zigmantaite	Vaida	Ministry of Finance of Republic of Lithuania

**May 12th, 2011**

## Welcome

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Louis Vervloet, Director of the ESF Agency Flanders, welcomes the entire group.

## Overview of business start-ups/entrepreneurs among specific target groups in Flanders

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Katrijn Vanderweyden of the Diversity Commission of the SERV explains the results of their study on entrepreneurship of migrants and people with a handicap.

The main conclusions of this study were that:

- the image of these entrepreneurs should be improved (f.e. via role models in media)
- the enterprise support services and enterprise education should be tailor-made for these groups of entrepreneurs
- entry barriers for these entrepreneurs should be removed (f.e. recognizing foreign degrees and organising specific regulation for transition from welfare benefits to being self-employed)
- these entrepreneurs should have access to more adapted financial services. The already existing services should be better promoted within these groups of entrepreneurs

# The role of ESF and ERDF in business start-ups/entrepreneurship among target groups in Flanders

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Antonio Georgopolis of the ESF Agency Flanders presents the actions of the ESF and ERDF concerning target group entrepreneurs.

'Entrepreneurship' was the Objective 3 of the Operational Program of 2000-2006. Three measures were launched:

- Stimulating and promoting potential starters and sustainable entrepreneurship
- Development of a 1 stop shop for entrepreneurs
- Improving the knowledge economy

In the Operational Program of 2007-2013 of the ESF Agency Flanders there is no specific entrepreneurship objective, but it was spread over the other priorities and partially transferred to the ERDF Agency Flanders. Within ESF Agency Flanders the three main entrepreneurship projects are: 'Ondernemen Werkt'/'Entrepreneurship Works', 'Tussenstap' coaching of bankrupt entrepreneurs to a new start and 'personal language and learning coaches'.

Within the Operational Program 2007-2013 of the ERDF Agency Flanders there are three operational objectives within the Entrepreneurship priority:

- Stimulation the sense for entrepreneurship and personal competences
- Creating a facilitating framework for starters, growing companies and business acquisition
- Stimulating international entrepreneurship

## Code of Conduct of the banking sector

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Ivo Van Bulck, Director Commercial Affairs of Febelfin, an umbrella organisation that represents 236 financial institutions in Belgium, presents the Code of Conduct of the banking sector in Belgium concerning corporate lending.

The Code of Conduct was concluded in 2004 (and fully updated in 2010) between banks and enterprise organisations in order to promote a better mutual understanding.

There is also a Corporate Financing Platform gathering representatives of the banking sector and entrepreneurs aiming at restoring the confidence of enterprises in banks.

## Microfinance in Flanders

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### Introduction

Ruben Vandeweghe from Hefboom vzw, a non profit organisation active in financing the social economy and providing microcredits, gives an introduction to the microfinance sector in Flanders/Belgium. He explains what the different options are for a micro-entrepreneur to obtain a loan of maximum 25,000 EUR:

- a bank credit
- a loan via family or friend (via Win Win loan)
- a loan from a microcredit provider, such as the Participation Fund, Hefboom, Crédal, Brusoc, and Microstart

The characteristics of the microfinance sector in Flanders/Belgium compared to other EU countries are that the loan amounts are quite high, the interest rates quite low and that most microcredit providers in Belgium don't ask for guarantees.

### Participation Fund

Frank Kindt of the Participation Fund, the main microfinance provider in Belgium, gives a presentation on the microfinance products of the Participation Fund:

- the Starters Loan: aimed at jobseekers, a maximum amount of 30,000 EUR, a duration of 5 to 10 years at an interest rate of 3 to 4 %. No guarantees are required, but a personal contribution of 1/4<sup>th</sup> of the loan amount is needed.
- the Solidarity Loan: a loan of maximum 12,500 EUR for entrepreneurs that cannot obtain a bank credit, with a duration of 4 years and an interest rate of 5%.

Both loans are granted through mentoring structures that are spread over Belgium. There are also specific measures to stimulate young entrepreneurs (under 30 years old): they can get extra business services support, a monthly expenses allowance of 375 EUR during the preparatory phase and an interest free maintenance loan of 4,500 EUR during the launching of their business.

These microcredit products are financed through a bond loan with government guarantee and tax incentives for the subscribers of the bond loan. The costs are covered through cross subsidization: the Participation Fund also offers other lending products where the financial returns are higher.

### Hefboom

Marion Cahen of Hefboom gives a detailed explanation on the Solidarity Loan and the future microcredit products of Hefboom. Hefboom is offering loans and consulting to social economy organisations in Flanders since 1985. Since the end of 2007 Hefboom also provides microcredits to entrepreneurs who cannot obtain a bank credit. Hefboom acts as front office for the Solidarity Loan of the Participation Fund (credit provider and back office). To cover the operational costs, Hefboom receives a grant from Dexia Foundation. The entrepreneurs also get coaching services during the first 2 years of their start up. These coaching services are provided by a network of volunteers with a banking experience from Dexia Foundation.

From 2012 on, Hefboom will provide its own microfinance products. The Solidarity Loan will stop at the end of 2011. The modalities of these new microcredit products are still under discussion, but the different loan products will probably consist of:

- a loan that replaces the Solidarity Loan
- a loan to cover the personal contribution of the Starters Loan
- a loan to start up a complementary activity
- a loan for pre-starters

## Dexia Foundation

Moniek Delvou, Managing Director of Dexia Foundation, explains why and how Dexia Foundation is supporting microcredits in Belgium. Dexia Foundation has a partnership with Hefboom and Crédal and supports them through a grant and via volunteers from the Dexia group. For the moment there are 20 volunteers active, working or retired employees from the Dexia Group, for the coaching of micro-entrepreneurs who received a microcredit. Most of the entrepreneurs need coaching on the commercial, financial or administrative aspects of their business. In a survey that was conducted with Dexia employees: 83% of the staff supported the work of Dexia Foundation.

## How coaching and training support access to finance with two ESF projects in Flanders

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### Ondernemen Werkt / Entrepreneurship Works

Liesbet Vandebussche and Jaak Vertongen of Unizo give a presentation on the coaching program of Entrepreneurship Works. This coaching program is a partnership between UNIZO, the Union of Self-Employed and SME's, VDAB, the Flemish Public Employment Service and Syntra, the Entrepreneurial Training Network, with the financial support of the ESF and VDAB.

The target group of this program is jobseekers who want to start up their own business.

The program consists of different steps:

- 1) The first meeting takes place at the VDAB with an 'Entre Mirror', a self assessment questionnaire that establishes the entrepreneurial competences of the applicant.
- 2) The second step is the exploratory phase of maximum 6 months, where the applicant is coached to develop a Personal Development Plan and an Action Plan.
- 3) The third step is the preparatory phase of maximum 6 months where the entrepreneur is coached to apply for an appropriate loan and to start up his activity. For the loan application Unizo works together with the Participation Fund in order to provide the Starters Loan.
- 4) The last step is the actual start up of the business.

## Tussenstap

Corinne Reynders from Tussenstap explains their ESF-funded orientation course for bankrupt entrepreneurs wanting to restart. This orientation course starts with an intake of the bankrupt, where the story of the bankruptcy and its consequences serves as a starting point. Afterwards the first orientation session deals with the settlement of the consequences of the bankruptcy and tries to develop a vision for the future. In the second orientation session the candidate has to choose whether he wants to restart as an entrepreneur or as an employee. Most bankrupt entrepreneurs have difficult access to credit therefore it is hard for them to start up a new business. The last step is the synthesis where the candidate reflects on what he has learned.

## ***May 13th, 2011***

## Reflection of the working groups

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### Starters Loan and Solidarity Loan

Strengths and weaknesses as discussed in the working groups:

Strengths:

- Good design of the product
- Important link between the credit and the coaching services. The coaching services are seen as a critical success factor by some working groups.
- Funding through a bond issue is interesting because it involves the public
- Involving volunteers is an interesting way to reduce administrative costs
- Cooperation of private and public entities

Weaknesses:

- Marketing and outreach of the product
- Speed of response

- There is no detailed data on which target groups are reached (f.e. on ethnic background or gender), which makes monitoring of the credit product difficult
- Difficulties for unemployed people to start up a new business, because there is no transition period between being unemployed and self employed (welfare bridge).

#### Suggestions:

- It would be a good idea to perform the COPIE tool in Flanders in order to have a view on the microfinance sector in Belgium.
- In Germany there is an important focus on the capacity building of micro finance actors (f.e. using the same software), which can also be useful for Flanders.
- More pro-active steps could be taken to reach the target groups, such as working together with local migrant associations etc...
- Good data collection can enhance a better monitoring of the impact of microcredits
- Default rate should be reduced
- The offer of microcredits should be more varied and more visible
- The microcredit system in Belgium should aim to be more economically through reducing operational costs and increase the interest rates of the credit products.

#### Coaching program 'Enterprise Works' and 'Tussenstap'

Strengths and weaknesses as discussed in the working groups:

#### Strengths:

- Good access to target group (job seekers) through cooperation with the VDAB
- Success rate of the trainings of Enterprise Works
- For Tussenstap: the possibility to learn from one's own mistakes
- Well developed network of partners

#### Weaknesses:

- It is difficult to reach the target group of bankrupt entrepreneurs
- Are the trainings too long?

#### Suggestions:

- It would be interesting for 'Tussenstap' to invest in sensibilization in order to improve the public opinion on bankrupt entrepreneurs.
- Stimulate networking between the participants of the coaching program

# What can we learn from microfinance in developing countries

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Johan Bastiaensen from the university of Antwerp presents his insights of the microfinance sector in the south and draws some lessons from it that can be useful for the microfinance sector in Western Europe. In the south microfinance institutions were able to overcome the high administrative cost of microlending through contract innovation and the high interest rates. In Western Europe microfinance providers could focus more on progressive lending instead of project funding. The high interest rates are not easy to replicate therefore subsidies will be needed by West European microfinance actors. Impact studies on microfinance in the south show limited social and economic impact if microfinance is not complemented with other services or structural policy. The lessons that can be drawn for microfinance actors in Western Europe are that microcredit should be complemented by other services (such as coaching) and structural policy.

## Panel discussion

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To conclude the meeting there is a panel discussion with Raymond Maes, Deputy Head of Evaluation & Impact Assessment of the European Commission, Louis Vervloet, Director of the ESF Agency Flanders, Danie Sorossal, Executive Secretary of the European Microfinance Network and Jef Tavernier, Secretary General of FEBEA (the Federation of Ethical European Banks).

Raymond Maes stresses the importance to know more about microfinance in the European Union. The yearly survey of the EMN is one of the few sources that give an in depth overview of the microfinance sector in the European Union. The COPIE Tool can also contribute to this.

He also insists that microfinance should be supplemented by entrepreneurial support services. In some countries, financial engineering is used to set up ESF financed funds in order to fund microfinance activities. It is important that these measures are complementary to the already existing business support services .

Louis Vervloet explains that there is an agreement with the ERDF Agency Flanders that entrepreneurship is covered by them and that the ESF Agency Flanders only finances the training of entrepreneurs in the start-up period.

Daniel Sorrosal explains that his organisation represents a broad variety of microfinance actors across the European Union. Entrepreneurship is not always the most attractive option in the EU. There is a debate about how self sustainable microfinance actors can be in Western Europe. Daniel Sorrosal believes that there will always be a need for subsidies for European microfinance actors because financing and coaching entrepreneurs from target groups takes time and is costly. Governments can intervene on different levels via the funding, the operational costs or via guarantees. But it is important that the subsidizing governments promote efficiency and performance requirements. European microfinance actors should also launch tailor-made credit products for specific target groups.

Jef Tavernier believes that the definition of microfinance in the European Union should be extended to credits of more than 25.000 EUR, in order to finance more viable businesses. Daniel Sorrosal thinks that microfinance actors in Europe should experiment more with step lending, as it is done in the south.

All speakers agree that the role of ESF should be to promote tailored pathways to entrepreneurship for target groups. Microfinance is an important aspect of this pathway, along with business development services and coaching.

## Conclusions

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From the meeting we can the following main conclusions:

- In Belgium the loan amounts of microfinance products are quite high compared to the EU average. Therefore microfinance providers are more selective as to who they are granting credit to. Following the suggestion of Daniel Sorrosal, it would be interesting to experiment with step lending in Belgium. With step lending microfinance providers could start lending small amounts to entrepreneurs and let them come back for bigger amounts if the business goes well. One of the main barriers to use step lending in Belgium for the moment is the lack of a welfare bridge (transitory phase between being unemployed and self employed). Because the welfare gap is too big, it is not interesting for unemployed on allowance to start up a small business. Unemployed

need a loan that is high enough to start up a decent business where profits are high enough to compensate for the loss of the employment benefits.

- In most working groups of the meeting, the lack of proper data collection and monitoring came up as a suggestion for the Belgian micro finance actors. With a better data collection, microfinance actors could get more information on the social impact of their microcredits, their outreach to different target groups, etc... This will allow them to adapt their services to be more efficient and successful.
- In the working groups and the panel discussion the integration of business development services and the microfinance offer were identified as key factors of success.

## Annexes

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1. COPIE II evaluation and assessment tool Flanders