Introduction

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While Grameen Bank has attracted public attention, with its founder Muhammad Yunus, being awarded the Nobel Peace Prize in 2006, most Europeans are probably unaware that the continent has a flourishing microfinance sector. Yet some of the world's most successful (and probably some of the smallest) microfinance providers are based in the continent. There are many reasons for this but the most straightforward is a desire to contribute to national economic growth, particularly by those considered economically and socially excluded.

In environments where information asymmetries, intense competition and changing market conditions are ever-present, the debate over which factors within and across countries facilitate the rate of growth of entrepreneurial and emerging firms continues to thrive in many forums and research arenas (Dickson and DeSanctis, 2001; Tapscott et al., 2000). Firms in countries with less support and structure for enabling entrepreneurship may be at a disadvantage when compared to their counterparts in countries that have public and private resources, personnel and funding – especially at the microcredit level. As such and with a supply-side perspective, the actions, policies and programmes taken by government and practitioners to ensure survival of their microcredit organization and to improve the service to their borrowers should not be overlooked. The onset of the credit crunch and subsequent recession has highlighted the precarious nature and availability of credit, particularly to entrepreneurs and microenterprises. Thus those nations that have the policy tools to ensure a stable flow of credit to all sectors of the economy, while balancing this against the need for prudent lending, are likely to be well placed to take the advantage that the future will present. For this reason, *Handbook of Microcredit in Europe: Social Inclusion through Microenterprise Development* offers a unique opportunity to consider national contexts and the performance of microcredit initiatives within the European Union.

Our work draws on authors from a multi-disciplinary background and provides complementary perspectives in this field. The themes developed in the 18 national reviews are drawn together in the conclusion to offer an interpretation of microfinance in Europe. It is intended that this *Handbook* will contribute to the evolving European discourses on microcredit, inclusion through microenterprise, and social exclusion. Additionally, by providing a robust examination of microcredit activity across numerous EU countries, it is possible to examine which strategies and policies may influence and affect how any given nation's initiatives can foster future entrepreneurial behaviour. In particular, evidence of successful programmes may be replicated by nations in similar economic positions. Such an improved understanding of these factors may further inform and assist government and policy makers in prioritizing a target set of improvements, initiatives and programmes that foster entrepreneurship and growth-oriented activity through microcredit.

This handbook is concerned with the idea that microcredit granted to financially excluded entrepreneurs can play an important role in creating small businesses, reducing unemployment, improving welfare and establishing financial and social inclusion (The SEEP Network, 2000; Lacalle, 2008). In turn, these collectively contribute to general economic well-being and growth. This is a significant change in many European nations and has not been without controversy. For most of the post-war years, the European economic models were either reliant on the state as an economic actor or the state in combination with large private sector organizations. Although small businesses have always been present, they received modest political support and were treated as marginal actors. However, from the 1980s onwards, one of the consequences of the expanding influence of neo-liberal economics was a greater emphasis on individual entrepreneurship as an indicator of economic success. Today, most European governments seek to encourage the development of small businesses and work to develop a supportive infrastructure.

One aspect of this was the need to provide financial support, particularly for entrepreneurs with minimal investment capital. A number of approaches were adopted to address this which can be broadly categorized as 'carrot and stick' for the banks and small grants for the entrepreneurs. Ironically, neo-liberals, while endorsing entrepreneurship, were critical of enabling grants, arguing that they undermined competition as the state offered support that the banks could provide in the form of a loan, and came at a high cost to taxpayers. The entrepreneurs also suffered because the practice encouraged a dependency culture and a reliance on the state to support their businesses.

Though these criticisms were aimed at certain Western European nations, they had a more immediate effect in Eastern Europe, where in the flush of post-Communism the neo-liberal arguments helped shaped policies, including business support. An impact of this was that loans for small businesses were more prevalent in Eastern rather than Western Europe.

Much of this was in the form of aid via international donors, especially those based in the USA. These aid agencies drew on their experiences of assisting the developing world and promoted notions of microfinance, whereby new financial institutions would be established to offer credit to entrepreneurs. The argument was that it was financial poverty, not entrepreneurship, that was withholding development. Consequently, new financial institutions would be required to serve this latent demand. Therefore, the evolution of microcredit in Europe has an unusual genealogy, beginning in the developing world before its implementation in Eastern Europe and gradual spread into Western Europe, though the process was not linear, with promoters of microcredit being found across the continent.

What is microfinance?

In its broadest sense, microfinance comprises a range of financial services aimed at individuals and micro (or very small) enterprises, both for-profit and those with social missions. Usually, the term excludes the 'mainstream' banking community and it is assumed it serves those not served by the mainstream. Furthermore, it is often used interchangeably with microcredit, which is a loan worth up to 25000 euros[1] made to those unable to access the mainstream financial market. Microcredit is the dominant service offered by microfinance institutions (MFIs) in Europe, hence the focus on loan products. However, and it's a big however, the situation is far more complex than the aforementioned definitions. Firstly, there are microcredit providers who don't see themselves as MFIs, and in the UK there are even microfinance providers who don't even see themselves as MFIs – instead they adopt the American nomenclature 'community development finance institution'. Then there are credit unions;[2] though nominally MFIs, they rarely present themselves as microfinance providers. This is because for many years microfinance was associated with enterprise lending, while credit unions specialized in personal credit.

These artificial divides have now begun to crumble as European governments have argued that their welfare state systems appeared to work against entrepreneurship, creating poverty-traps in which those engaging in marginal utility activity found their benefits cut, thereby reducing the incentive to work. It was thought that credit-based systems may help overcome some of these structural problems. Secondly, academics (Dayson et al., 1999) began to argue that the demarcation between business and household finances was deeply problematic, especially among sole traders and other micro-entrepreneurs, with allocation of resources depending on need at a specific moment in time. Encapsulating this were the popular 1980s British television comedies 'Only Fools and Horses' and 'Bread', in which families of micro-entrepreneurs negotiated the 'breadline' through processes of informal economic activity and financial reciprocity. The outcome of this is that a limited number of MFIs engage in both enterprise and personal credit, while the majority continue to serve one of these markets. However, this transition is still in its infancy, and can be seen as the next stage of financial inclusion policy and practice in Europe. Thus for the purpose of this book, and in common with the majority approach throughout Europe, we are focusing on microenterprise lending.

Beyond the arcane discussions about definitions, Europe's highly developed financial sector has a rich history of microfinance and of serving excluded communities that long preceded activity in the rest of the world. As noted earlier, credit unions were invented in Germany by Franz Hermann Schulze-Delitzsch before being exported across Western Europe and North America. As the forthcoming chapters will demonstrate, virtually every European country had incipient MFIs in the eighteenth and nineteenth centuries, whether they are savings banks in Sweden and Spain or building societies in the UK. However, in Italy financial services for those on low incomes have their origins in the fifteenth century, and were provided by religious orders (namely the Montes Pietatis). This connection with religion continues today, as with the Catholic Church's promotion of credit unions in Ireland. Thus the state has been a relatively late actor in the provision of financial services and it has only been in Sweden and to a lesser extent in France were there has been a desire for universal provision. Elsewhere, as the chapters will indicate, the role of local and regional agencies have been of primacy. But what of policy at a European level?

European Union policy

While the European Union supports microfinance in African, Caribbean and Pacific countries (ACP) through its Microfinance Framework Programme, there is no equivalent provision within Europe. As the European Microfinance Network (EMN)[3] argues, European microfinance policy straddles economic and social inclusion policy areas (http://www.european-microfinance.org/index2_en.php, accessed 13 June 2008). Much of this activity has been the responsibility of national governments, supported or supplemented by the EU. Adding to the complexity, microfinance has different roles in Eastern and Western Europe. In the former, it was an important policy tool during the transition from communist control and has contributed to the construction of private financial architecture. Consequently, as the chapters on Poland, Romania and Bulgaria will show, the sector has grown rapidly and in some cases is operationally self-sufficient. By contrast, microfinance in Western Europe has been an ancillary service aimed at those considered economically excluded. In particular, there has been a focus on encouraging self-employment, an issue

Table 1 The nature of microfinance in Europe

Part of Europe	Central and Eastern	Western
Policy motivation	Transition, building a market economy	Encourage self-employment, address unemployment particularly among disadvantaged groups
Policy location	Economic	Socio-economic – link to welfare state
Ownership	Self-sufficient independent financial institutions	Partially operationally sufficient. Some non-profits and some extension of private and state sector entities

Source: Dayson (forthcoming).

which concerns policy makers because of the lower level of entrepreneurship when comparing Western Europe to the United States of America. Thus microfinance policy, if such a thing can be said to exist in Western Europe, bridges the two sides of the mixed economy. Complicating the matter still further, the majority of microfinance organizations in Europe are non-governmental organizations (NGOs)[4] and see themselves as operating in the social economy. Given this sectoral matrix (see Table 1) it is perhaps unsurprising that a single European policy has not emerged. It should be noted that Table 1 is a generalized synthesis and simplification of microfinance provision in Europe, and there will be numerous exceptions.

However, the European Union has permitted microfinance providers to access general funding sources, such as the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Since 2007, there has also been a commitment to the Microcredit Guarantee Window which can be accessed through the European Investment Fund (EIF). To date eight organizations across Europe[5] have successfully applied for this status which enables them to offer loans to micro-entrepreneurs (up to 10 staff and turnover below 2 million euros) worth up to 25 000 euros, 75 per cent guaranteed. In addition, the JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises Initiative) enables nation-states to convert regional strategic funding from the European Union into loan capital and other financial instruments. By December 2008, only Greece, Romania, Latvia and Lithuania have agreed to JEREMIE funding arrangements, with negotiations ongoing with five other nations and regional agreements made with Languedoc-Roussillon in France and Campania in Italy. Though as the need for JEREMIE is decided at a national level, it is likely that there will be further fragmentation in the provision of support for microfinance across the European Union. Beyond direct funding for microfinance, the EU has also supported the intellectual development of the sector by funding transnational learning projects including training events, supporting women entrepreneurs and a character-based lending approach.

Although policy development at a European level is often a protracted affair as the various nations seek a consensual approach, there are indications of how the sector will look in the future. The most ambitious to date came from the European Commission in November 2007[6] in which they recommended that nation-states ensure they remove barriers to the development of microcredit, and that a central support agency is created for microcredit providers. These infrastructural changes are supplemented by the proposal for a microcredit fund partially funded by the European Union. There was also a recognition that loan repayment was partially dependent on the quality of business support and it was recommended that this occurred in conjunction with the loan process. The same report also attempted to assess the potential scale of the microcredit market in Europe and estimated that it was worth 6145 million euros (an estimated 712 900 loans). To help achieve these objectives, the Commission suggested that the environment was made more supportive of entrepreneurship through promotion, welfare transitional schemes for those moving from unemployment to self-employment, and greater training and support for micro-entrepreneurs.

The European Commission proposed agenda reflects much of the discourse within the literature. Evers and Lahn (2006) discussed the concept of the 'moveable island' to describe the difficult transition of those from welfare to self-employment. They continued the analogy by suggesting the construction of a bridge to overcome the barriers. In particular, they highlighted Ireland's tapering of welfare benefits for those moving into self-employment. This obsession with 'serving the poorest' is questioned by Guichandut who wonders if this commitment results in financial viability being a 'distant viability' (Guichandut, 2006: 55) for Western European MFIs. This MFIs performance has been the focus of work by Underwood (2006), Evers and Lahn (2006), McGeehan (2008), Dayson (2005) and Copisarow (2005), all of whom have discussed the 'sustainability gap' that MFIs face across the continent. However, this debate represents an advance on the earlier literature which first had to explain why MFIs were needed (Mayo et al., 1998) and the case for a benign legal environment

(Reifner, 2002; Nowak, 2006; Copisarow, 2000). Unsurprisingly, given the relative youth of the sector in Europe, there are few debates about mission drift, exploitive credit rates, and whether they are targeting the poorest customers that are increasingly prevalent among development workers, MFIs and aid agencies in the developing world (Dichter and Harper, 2007). Perhaps with maturity these debates will be replicated in Europe, but for the present the focus remains helping those most excluded.

Our aim for the handbook

In writing this handbook, we have several intentions, including the following:

1. to bring together the experience of microcredit throughout Europe;
2. to analyse critically microcredit activity in specific nations in Europe;
3. to identify commonalities in practice and examples of innovative activity;
4. to reflect critically on the relationship between social welfare policy and the role of microcredit in Europe and possible links to policy globalization.

This handbook consists of 20 chapters, including the introduction and conclusion written by the editors. The bulk of the chapters are national case studies exploring the nature of microcredit in each country. It is intended that the majority will be examined in detail (Austria, Belgium, Bulgaria, France, Germany, Hungary, Italy, Poland, Portugal, Romania, Slovakia, Spain, United Kingdom) with a further chapter discussing those nations with less extensive microcredit markets (the Netherlands, Luxembourg, Norway, Sweden and Denmark). Each of the national case study chapters has a similar format, enabling the reader to compare key characteristics easily. Each begins with a contextual discussion that assesses the prevailing social welfare ideology and how this has informed policy. Linked to this is an exploration of the policy evolution that resulted in microcredit being introduced. The origin of microcredit in each nation is discussed and includes aspects of policy implementation and operationalization of microcredit. The third section focuses on the infrastructure of microcredit in the country, including the key microcredit providers, supporting institutions and the role of individual social actors who influenced the development of the sector. Following this, there is an analysis of the target audience and a description of the organizational form used to deliver microcredit. Finally, the role of the government and regulation is explained before an analysis of the financial and operational sustainability of the sector. Our concluding thoughts for each chapter/country attempt to chart the likely future of microcredit in the country and the key risks and opportunities that lie ahead.

Austria

The concept of microcredit has only recently begun to make inroads to the Austrian economy and is still treated with a degree of apprehension by the financial establishment. Initiatives are currently being overseen by the AWS (Austria Wirtschaftsservice – Austrian Business Service Agency), SFG (Steirische Wirtschaftsförderung – Austrian Business Promotion Agency), with the recent addition of the EQUAL programmes – coordinated by the European Social Fund (ESF) and the Federal Ministry of Economics and Labour. Microcredit operations did not begin here until 2004. Now, available products and services are limited to liability programmes, subsidies, low-interest loans, consultation and related services. All are solely aimed at the SME sector.

Belgium

Originating in the early seventeenth century, SME financing has a notable history in Belgium. Today, Belgium's microcredit market is serviced by three major lenders: Fonds de Participation, Crédal and Brusoc, where Fonds is the predominant provider (42 per cent of all approved credit provision). The three offer a range of credit products that target two general groups, those vulnerable to poverty (for example the unemployed and elderly) and micro-entrepreneurs who are otherwise excluded from credit access. Central to the current discourse on Belgium's microfinance market are the respective roles and responsibilities of the private sector and public authorities.

Bulgaria

Microfinance in Bulgaria emerged in the early 1990s primarily as a donor-driven tool to address some urgent aspects of transition. It offered vital assistance to support the reestablishment of entrepreneurship and the private sector, whose traditions and potential were largely interrupted during the previous centrally planned system. With micro, small and medium-size enterprises accounting for about 99 per cent of business activity in Bulgaria (data from the Ministry of Economy and Energy, see Chapter 4), the need for microcredit is bound to remain a key factor for enterprise development. It is important for all sectors of the Bulgarian economy, whose structure is dominated by service and trade companies (60 per cent) followed by industrial enterprises (31.4 per cent) and the agricultural sector (8.6 per cent) (Invest Bulgaria Agency: Economy, Investment, Business and Industry, see Chapter 4). The ability to meet that need will be decisive, not only for the good performance of microfinance actors and the banks, but also for Bulgaria's overall success in achieving the ambitious social and economic goals ensuing from EU membership.

Denmark

With a per capita GDP near US$57 000, Denmark is home to one of the world's wealthiest populations. The strong national economy is based in the SME sector where one enterprise exists for every 10 Danes, and 92 per cent of those enterprises have fewer than 10 employees. Recognizing that entrepreneurial activity is clearly the foundation of the Danish economy, the government has implemented a range of schemes to foster growth and success within the sector. The government's strategy has been diversified, and the holistic approach has proven very effective. Yet the immigrant population remains economically marginalized and the lack of any microcredit institution that specifically targets potential ethnic entrepreneurs has forced many to rely on informal financing with its inherently limiting and negative consequences.

France

In the last decade, France has undergone modest economic growth. With an average 2.3 per cent growth in its gross domestic product over the last 10 years, France has a slightly lower growth rate than the EU 25 (2.4 per cent). In France, different types of organizations provide microcredit directly or indirectly. They differ in the kind of products they offer, in their functioning, sources of funding and with regard to the target group they serve. They fall into three different categories: non-bank microcredit; organizations that facilitate access to micro-loans from banks; and para-bank actors. However, a huge yet unmet demand for microcredit still exists in France. Adie estimates the potential market for non-bank microcredit at business start-up at between 48 000 and 98 000 per year, resulting in a gap of between 40 000 and 90 000 microloans per year. For bank microcredit, a shortage of 100 000 loans per year has been observed.

Germany

In Germany, the past decade has seen a growing interest in and practice of microlending. In recent years, an increasing number of specialized microcredit programmes have been created for start-ups and microenterprises with low capital requirements. While the number of microcredit programmes has risen from 24 to 33, the clear sign of a dynamic process is not reflected in the number of loans disbursed, which is disappointingly low in practice. It makes sustained business development almost impossible: 14 of the programmes surveyed disburse only up to 10 loans and a further five programmes disburse up to 50. Microfinance in Germany will only become significant if more players accept responsibility and really look at the demands of microenterprises and entrepreneurs, develop and implement loan processes, and aggressively enter the current financing market in order to make microfinance a core business.

Hungary

Hungary has proved to be fertile ground for the evolution and proliferation of microcredit initiatives. The Hungarian microfinance industry is considered a success. Its dynamic 15-year history provides interesting insight into the methodology and science of implementing microfinance. Beginning as early as 1992, formal microcredit projects were run by Local Enterprise Agencies (LEAs) with the backing of the EU PHARE programme. Through the 1990s, the success of the SME financing industry in Hungary garnered international recognition. The success encouraged efforts to move the industry toward greater sustainability, thereby reducing PHARE fund dependence. Attempts at sustainability began with a restructuring of the industry, placing funds and greater oversight control in the National Microcredit Fund. Certain indications suggest the new structure helped increase the amount of funds loaned, specifically because the maximum loan was increased significantly. On the other hand, it appears centralization proved to be an impediment to *positive* growth in the sector due to politicization coupled with the increased cost structure of the bureaucracy. The short attempt at sustainability was abandoned and the industry returned to the decentralized model with responsibilities mostly left to the now semi-autonomous LEAs. While considered a success, Hungary's microfinance experience has still tended toward favouring SMEs, perhaps forgetting some of society's neediest.

Italy

If a wide definition of microlending activity is taken into consideration, as the provision of small loans to people who lack conventional collateral, up to 2007 almost seventy microcredit projects have been activated in Italy. The analysis of mission, institutional typology, governance, lending practices and model of granting of the Italian microcredit projects shows remarkable differences in the way projects deal with their microlending activity. Two main discriminating factors are: (1) the awareness of each entity as viewing microcredit as an activity that aims to spur economic development or to redistribute wealth; and (2) the purpose of achieving financial inclusion of the borrowers or their social inclusion through and with financial inclusion. The microcredit sector in Italy is a dynamic scenario populated by many small actors that are using different ways to provide marginalized groups with financial services, in a context where social finance has generally experienced difficulties in growing and has never received the adequate support from the policy makers and public opinion. This scenario is evolving quickly due to three main factors: the growing relevance of migrants in the Italian economy and the discovery by financial intermediaries of this new target; the creation of joint projects involving the third sector; and the growth of microcredit initiatives in the wake of the worldwide success of microfinance. The challenge for the sector is to become more professionalized and thereby to improve approach, strategy and practices.

Luxembourg

Microcredit does not officially exist in Luxembourg and its future prospects are decidedly limited. With a population of over 460 000, unemployment around 4.5 per cent and a GDP of 58 000 euros per capita – the highest in Europe – the potential microcredit market is small. The public sector employs 98.6 per cent of Luxembourg nationals. In the private sector SMEs predominate, and many of them are micro in nature. For financing, SMEs in Luxembourg rely on four main providers but the available microcredit products are limited and geared toward the entrepreneurial sector alone. There is no focus on social inclusion of the unemployed. In a national 2005 report, it was concluded that there is neither prospect nor significant need for a national microcredit institution in Luxembourg, due to the limited market, low self-employment rates, and the risk-aversion of Luxembourg nationals.

Netherlands

There has been little awareness of microfinance in the Netherlands itself. There is for instance no unanimous accepted definition for microfinance in the Netherlands. Ironically, although the Netherlands has been sending microfinance experts to developing countries for over 20 years and there have been many campaigns about microfinance in developing countries by the development NGOs, only recently has there been a growing awareness that something needs to happen to reach more people with microfinance in the Netherlands. There is no official model for microfinance and provision of microcredit in the Netherlands. Based on an analysis of the initiatives, three organizations play dominant roles: (1) regular banks that carry out the actual lending and administration of the loan to the microenterprise, (2) intermediaries such as enterprise development agencies, NGOs or schools that provide business development services like coaching and help with preparation of business plans; the costs of these are paid by external parties, and sponsors or volunteers are used; and (3) others (for example, government, European funds, projects) which support banks with a guarantee.

Norway

Norway's economy has benefited greatly from natural gas and oil reserves. Exports of these resources have facilitated impressive economic growth in recent history and an expansion of the public sector as well as a strong welfare state. Norway's labour market is considered relatively fair in terms of gender equality, but women are traditionally underrepresented in the entrepreneurial sector. Microcredit first appeared in Norway in 1992 and has tried to target female and immigrant entrepreneurs. Norway's public authorities and MFIs have made gender equality their chief priority. Network Credit Norway (NCN) and Innovation Norway (IN) dominate the microfinance market; both operate with funding assistance from the national government. Effectively, these two organizations, in conjunction with governmental programmes, provide a variety of products and services, including entrepreneurial grants, loans and training.

Poland

Current microcredit providers in Poland include commercial and cooperative banks, credit unions, specialized non-bank financial institutions, and microloan programmes. The banks' market share is 98 per cent (in terms of the value of loans). Although the banks seem to be the only significant players, they have interest in the market segment and have sufficient infrastructure to physically reach the consumers, there are several constraints, which make their role in market development questionable. Apart from the strategies to stimulate demand, the key issue for the microcredit market development in Poland is to scale up the supply schemes. The analysis conducted by the Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC), clearly indicates the need for linking specialized non-bank financial institutions with commercial and cooperative banks and the network of guarantee schemes. This kind of partnership is a win–win solution that combines strengths of all key actors. It is unlikely that the Polish example is unique in Europe. In the opinion of MFC experts, the huge market gap does not show the failure of microcredit. It demonstrates a need to move from the experiment to the scaling-up phase. It can be done only if there are delivery models, which are viable for all the stakeholders, especially for commercial players.

Portugal

Social solidarity financing projects have existed in Portugal since the fifteenth century, although, in spite of this extensive experience, Portugal's current microfinance market is relatively limited in size, range and diversity. The industry currently revolves heavily around the Associação Nacional de Direito ao Crédito (ANDC), a non-profit organization founded in 1998. The ANDC, and more recently Santa Casa da Misericórdia de Lisboa (SCML), are the two major practitioners of microfinance and microenterprise promotion. As is common throughout Europe, Portugal prohibits these and similar MFIs from actually lending and collecting funds. This regulatory constraint, coupled with the current MFIs' inability to reach sustainability have resulted in a dependence structure that involves a number of traditional banks as well as the public sector through the Ministry of Labour. Despite the involvement of three distinct types of actors, product and service offerings have been limited. Ultimately, Portugal's microfinance industry and social solidarity efforts in general would benefit from an expansion of awareness and diversity about the potential of microfinance.

Romania

Microfinance has a rich 15-year history in Romania beginning in the 1990s when the economy underwent the transition from a centralized to a market-based model. Many of its largest, most established MFIs today were started by international NGOs and MFIs, but today the Romanian microfinance sector is very much independent, and in many cases, tending toward sustainability. The sector provides a wealth of services and financial products with both social and commercial ends. Overall diversification, coupled with supportive legal framework reforms has made the Romanian MF sector very successful in terms of overall growth and sustainability. A variety of services and products, lending methods and targeting criteria have made the industry's overall penetration wide, but depth is still the major challenge as some studies conclude that 30 per cent of demand for financial services is still unmet.

Slovakia

A sparsely populated country with double-digit unemployment and a legacy of communism, Slovakia (formerly part of Czechoslovakia) unexpectedly qualifies as one of Europe's fastest-growing economies. Home to no more than 5.5 million, Slovakia has frequently posted GDP growth figures at, or exceeding, 9 per cent (Slovak Statistical Office, 2007, http://portal.statistics.sk/showdoc.do?docid=4). Within this unique context, microfinance has struggled to succeed. Uneven geographical wealth distribution and strong overall economic performance obscure the demand for microfinance services and products. A late beginning and a cultural aversion to entrepreneurship have compounded the difficulties that the sector faces. But, in the face of all these obstacles, over a thousand microloans have been made, and many more clients have been provided with educational services that have proven invaluable to their economic security and overall social inclusion.

Spain

The Spanish microfinance sector grew at a considerable rate from the outset of the twenty-first century. Beginning with international NGO initiatives in the 1990s, the home-grown industry took its roots in the Spanish savings bank system; first with the Caixa Catalunya's programme, Fundació Un Sol Món, founded in 2001, and soon followed by the Caja Granada's own proprietary programme. Currently, nearly all 46 recognized savings banks in Spain have their own microcredit programmes. This impressive growth was facilitated by public subsidization from both the national level (ICO Microcredit line) and the European level (European Investment Fund and the European Social Fund). In addition to traditional financial institutions and public sector actors, Social Microcredit Support Organizations (SMSOs) play a vital role. These organizations serve the sector in a variety of ways, most importantly acting as informal guarantors and liaisons between potential micro-entrepreneurs and the institutional lenders. Impressive growth and ongoing governmental support promise that the industry will maintain stability but other concerns do exist. The sector can be criticized for a general avoidance of financing initiatives for the poorest strata of society as well as the lack of diversification in product and service offerings.

Sweden

Microfinance in Sweden experienced a late start in comparison to much of Europe, and is currently in a markedly developmental stage. There are no true MFIs so to speak, but the state-sponsored organization ALMI has recently (May, 2007) released new microcredit products. The lack of progress in the areas of social inclusion and poverty alleviation through entrepreneurship promotion are due in part to a cultural bias for wage employment as well as associated legislative obstacles. This is not to say that the demand is not there. Female and immigrant groups are the most excluded and the administrative burdens for start-up entrepreneurs are well known. Sweden is at a critical point in the development of the sector, but it remains to be seen whether or not the microfinance industry will be made a priority by either public or private sector actors.

United Kingdom

The community development finance sector in the UK encompasses a wide range of social finance organizations providing access to personal finance, microfinance, small business loans, social enterprise investment and community development venture capital. Despite the recent changes within the UK Community Development Finance Institution (CDFI) environment, the government, both at national and regional level, remains committed to CDFIs as a mechanism for the delivery of a range of policy priorities. There is no political appetite for a return to a grant or soft loan-based policy, though this could change if the UK were to undergo a period of extended recession. As microfinance grows and diversifies and particularly as products diversify and organizations increasingly raise investment, the right to raise capital will come with responsibilities. Ensuring that the regulatory burden and behaviour of CDFIs remain proportionate will be a challenge for practitioners and the regulatory authorities. Microfinance continues to flourish in the UK and although the funding environment has tightened, it is likely to remain supportive, providing it serves individuals and businesses that the mainstream sector lacks the ability to assist.

Conclusion

In Europe, microfinance policy has emerged from both the 'developing world' and the USA, combining with indigenous historical precedent. Moreover, the contested nature of economic policy and the rise of neo-liberalism have created the conditions and explanations for the interest in microfinance policy. The composition of this cocktail has differed across the continent, and each nation has produced its own unique microfinance sector. However, in terms of operationalization, similarities can be seen in the importance of charismatic leadership and the reliance on debt finance (predominantly underwritten or supplied by the state). Differences are stronger in the relationship with banks and other mainstream financial institutions, and views on sustainability. Overall, the sector in Europe is dependent on the support of the state and to a lesser extent the banks, while at the same time many practitioners seek greater autonomy. This creates a dynamic environment involving a continual redefinition of microfinance in Europe, a series of what we call Complex Interrelationship Microfinance Initiatives.

Notes

1. In many European nations microfinance loans can be issued up to 40 000 euros.
2. Mutual savings and loans organizations, which also offer other financial services. In Europe they have a significant presence in Poland and Ireland, and to a lesser extent elsewhere. Credit unions were actually invented in Germany by Franz Hermann Schulze-Delitzsch and popularized by Friedrich Wilhelm Raiffesein, before being exported to Austria, England, France, Italy and the Netherlands, and subsequently to Canada and the USA. Near the end of the twentieth century, having become major players in the USA and countries under the American sphere of influence, they were re-exported to

Europe, predominantly through the Catholic Church, Caribbean migrants to the UK, and lastly United States of America aid agencies.

3. EMN represents microfinance providers and national/regional trade associations on the European stage. It is supported by the European Commission and French Caisse des Dépôts et Consignations (CDC).
4. For our purposes an NGO is a body that is not a for-profit entity or a public sector agency.
5. Fonds de Participation/Participatiefonds in Belgium; Kreditanstalt für Wiederaufbau in Germany; Instituto de Crédito Oficial (ICO) in Spain; Association pour le Droit à l'Initiative Economique (ADIE) in France; The Prince's Trust and The Prince's Scottish Youth Business Trust in the UK; First Step Ltd in Ireland; and Cultura Sparebank in Norway (http://www.eif.org/guarantees/resources/ec_programme/micro_credit_guarantees/index.htm).
6. European Commission (2007).

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