



GOOD PRACTICES - CASE IDENTIFICATION /1ST LEVEL ANALYSIS

1. Good Practice title:

Efficient local microcredit funds and network cooperation

- *sustainability and efficiency of local microfinance programs*
- *social outreach of microfinance and mitigating the negative effects of financial exclusion*
- *microfinance as a local employment tool*
- *social and technological innovation in microfinance*
- *involvement of priority groups (with special regard to gender equality)*
- *promotion of local microfinance funds and entrepreneurship initiatives*
- *business development services*

2. Territory of implementation/application (country/region/...)]

Hungary

3. Timeframe:

year of introduction: year of termination: (leave 0000 if ongoing)

4. Brief description of the promoting organization:

The Hungarian Microfinance Network is comprised of 20 Local Enterprise Agencies (LEAs) throughout Hungary. The LEAs initiated by local governments, banks and finance associations for the direct promotion of SMEs in the 1990s, operate as non-profit foundations or public foundations. The network's mission is to contribute to the creation of employment and of sustainable economic development in Hungary. Thus, its objective is to prepare and serve Hungarian small and medium-sized enterprises (SMEs) with and through a variety of financial and non-financial programmes.

From 2007, the network decided to be more active in the international field and to extend cooperation with partner organisations with similar objectives outside Hungary. The kind of cooperation envisaged includes initiation, generation, elaboration and implementation of joint projects, programmes, actions, credit lines, tender proposals for EU funds whose scope covers SME promotion, economic and employment development as well as other related topics. This cooperation



should be based on a mutually beneficial relationship basis.

5. Main objective of the initiative:

The main objectives of the Hungarian Microfinance Network are:

- representing the interests of the member organizations
- promotion of good practices developed inside the network
- participation in the development of new financial instruments and regulation of the microfinance sector
- building cooperation and professional relations with European institutions, organization of study trips
- strengthening the local cooperation between the member LEAs and the actors of the local economy (e.g. municipalities, universities, SMEs)

6. Brief explanation of the initiative:

In 2015, the HMN developed the model of the “local microcredit funds.” The initiative is based on the cooperation of the local enterprise development agency, local Municipality and optionally other actors.

The beneficiaries of the local credit scheme are the smallest local (micro) enterprises, with primary or secondary establishment in the city (or surroundings) of the LEA. The funding of the local credit scheme is guaranteed by the LEA, and the Municipality is subsidising the average 6% interest on microcredit schemes so that it can be reduced to 2.5%.

So far 4 LEAs have introduced this new model of supporting the local micro and small enterprises: Zala County Enterprise Development Foundation, FEA, Baranya County Enterprise Development Foundation and the Budapest Enterprise Agency.

7. Target group and measures to involve the target group:

The target group of the initiative are:

- Local Enterprise Agencies operating in Hungary
- decision makers
- actors of the local economy (e.g. municipalities, universities, SMEs)
- scientific institutions in the field of microfinance

8. Innovativeness:



Innovative elements of the model of the “local microcredit funds” or other distinctive features compared to other previous programmes:

- based on a board cooperation of local actors (enterprise development agency, Municipality, SMEs)
- the new loan product is tailor-made to the needs of the SMEs
- the GP is combining a financial instrument with the business development services of the LEA

9. Outcomes:

- 24 member organizations
- 4 new local microcredit funds established
- 4 study trips organized
- 1 active membership in an European organization (EMN)