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Capacity Building Surveys

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5.1 Methodological framework: aims, questionnaires

As underlined in the first chapter, the methodological approach of this research is based on two questionnaires on the managing authorities' capacity building in the microcredit sector and capacity building related to financial instruments within the new EU regulatory framework.¹ The previous chapter clarified the main guidelines of the EU cohesion policy, the key features and objectives of the EU structural funds and the possibility of using such funds to activate financial engineering instruments dedicated to the microfinance sector in general and specifically to microcredit.

An appropriate use of the structural funds requires programming, monitoring and reporting skills by the European managing authorities (MAs). It is therefore necessary to change the management methods of such funds, according to the following guidelines (see Figure 5.1):

- *Careful definition of the expected results according to the specific needs detected in the different territories; the results must be measured through indicators of the impact produced by public intervention on the quality of living.*
- *Compliance with project deadlines by the subjects in charge.*
- *Mobilised and adequately competent partnership with regard to the programmes to be implemented and the objectives set out to be promptly involved in the decision-making process related to programming and implementation policies.*
- *Information transparency and dissemination, through a continuous and constructive exchange of information with the territories and the actors involved in the partnership process.*

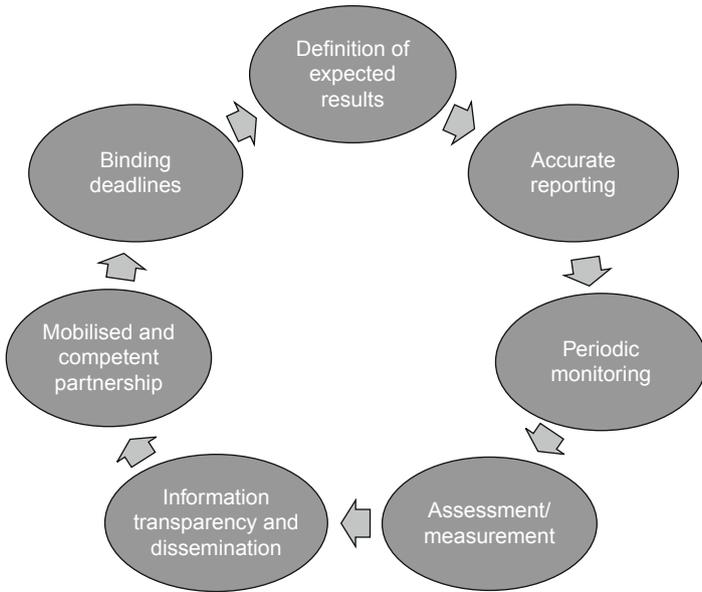


Figure 5.1 The management of structural funds: the main actions

Source: Authors' elaboration.

- *Assessment/measurement of the effects produced by the interventions* and how such effects take place through careful assessment of the social and economic benefits.
- Systematic monitoring of programmes carried out through field verification to ascertain the state of the art of the interventions carried out.
- *Careful reporting and continuous dialogue with EU authorities*; assistance and structured coaching of the national managing authorities with the relevant EU authorities with regard to the different thematic objectives/structural funds implemented.

In this perspective, the authors deemed useful to present here the results of two surveys dedicated to the MAs' general capacity building (first questionnaire) and their specific capacity building related to the microcredit/microfinance programmes (second questionnaire).

The first questionnaire (Figure 5.2), administered by the EIPA,² is divided into four key investigation areas: *analysis of the main results of the microcredit/microfinance programming activity, target group and other operational features, monitoring and reporting activities, regulatory framework for the microcredit/microfinance sector*. This first survey specifically aims to define



Figure 5.2 First questionnaire: investigation areas

Source: Authors' elaboration.

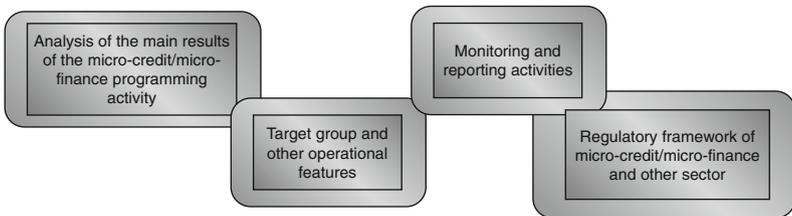


Figure 5.3 Second questionnaire: investigation areas

Source: Authors' elaboration.

the need for capacity building in relation to the new EU regulatory framework; identify what type of support may be more effective (exchange of personnel, shared practices and learning, online platform, peer-to-peer assistance); find out managing authorities available to share their experiences and good practices with others. The questionnaire will be sent to all managing authorities and certifying authorities of the member states.

The second questionnaire (Figure 5.3), administered by the Italian National Agency for Microcredit (Ente Nazionale per il Microcredito) within the Capacity Building project includes the following four investigation areas:

- *Analysis of the main results of the microcredit/microfinance programming activity*: number of microcredit projects activated, amount of loans granted, other results.
- *Target group and other operational features*: target group of the microcredit programme, average amount of loans, operators/institutions involved in the programme and their specific role, main guarantees required, etc.

- *Monitoring and reporting activities*: presence/absence of monitoring activity, reporting frequency, reporting methods, presence/absence of disclosure, websites, etc.
- *Regulatory framework for the microcredit/microfinance sector and others*: presence/absence of a specific regulatory framework for microfinance/microcredit, which undoubtedly influences the legal and institutional layout of the microcredit programmes and defines both the scope of operation and the technical and legal characteristics of the financial instruments used in different EU areas.

The following section illustrates the objectives and specific content of the investigation areas as well as the most significant results of the surveys. Each area of investigation was examined using only data collected through the questionnaires; no other sources were used.

5.2 The managing authorities' interest and needs in capacity building activities

To manage and implement ESI funds (European structural and investment funds) is a process that requires many different skills. Often, however, organisations face difficulties and have a hard time being efficient and effective. Indeed, on the basis that such difficulties are common in most of the member states, the European Commission decided to start a new project in order to tackle the problem and try to give appropriate tools to all those involved. The aim is to support intermediate bodies, enabling them to implement and manage European funds efficiently.

As highlighted by many studies carried out by the European Commission, the absorption level of European funds has been somehow low in certain parts of the European Union. Owing to the data provided in the study "A European fund for economic revival in crisis countries" (Marzinotto, 2011),³ it is possible to view the amount of funds that each member state can exploit. The level of absorption is easily quantified, taking into account the amount of outstanding funds as a proportion of the single member states' GDP. This indicator draws a peculiar picture concerning the European Union and the unbalanced situation among member states. For example, in Greece the percentage of GDP of outstanding funds for the period 2007–2013 was 7 per cent (Marzinotto, 2011, p. 5), and in Portugal it was close to 9.5 per cent (Marzinotto, 2011, p. 5). Figure 5.1 provides data concerning the share of outstanding funds for the programming period 2007–2013 as a percentage of the total allocation of funds among member states. It is possible to see that for many different reasons – which are not the core of this study – there is underuse of the financial resources

provided by the European Union. Ederveen et al. (2006)⁴ points out that, for example, EU funds are more effective in an environment characterised by strong institutions (low corruption) and effective governance. This is not new in terms of environmental requirements for an effective way of pursuing certain goals. In fact, Charles Edquist gives a general definition of institutions strongly stressing their importance in an environment that can foster innovation and investments. “Many institutions are publicly created (such as laws and regulations) and therefore easy to modify by governments. However, others are created by private organizations, such as firm routines, and they are much more difficult to influence by government intervention” (Edquist, 2008, p. 14).⁵

Edquist’s statement is very clear and useful for the purpose of this study. In fact, owing to this distinction between public and private institutions, it is possible to understand how easy it is, to a certain extent, to modify public institutions so as to make them more effective. This is very important for explaining why managing authorities have to have a very high skill level: they are part of institutions that are more likely to drive and influence the absorption of EU funds. Therefore, through their trustworthy feedback and suggestions, they can actually influence “public institutions”, making the implementation of European funds easier for all the actors involved.

Nonetheless, in this scenario it is very hard to tell which can be the main problems in managing and implementing European funds correctly. However, among all possible causes slow absorption can be one problem for enhancing and ensuring a good level of training for intermediate bodies that are the channels for these funds. Therefore, DG Regio’s⁶ survey is very important for understanding the strengths and weaknesses of the organisations involved in the various processes of implementation, monitoring and evaluation.

5.3 The questionnaire: the investigation area

DG Regio structured the questionnaire in order to enable the member states’ managing authorities to express their strengths and weaknesses clearly as regards all the relevant areas concerning the managing and implementation of EU funds. Considering that institutional and administrative capacity is considered essential for implementing EU funds effectively and efficiently, the survey aims at carrying out an in-depth analysis concerning where and how managing authorities can be supported. Thus, aiming at a better governance, the survey is very specific so as to clarify in which direction the European Commission’s and member states’ efforts should be channelled. Moreover, as stated earlier, an inefficient implementation and

management of European funds leads to scarcity effects on the member states' real economy. Therefore, the need for a more effective capacity building strategy is almost obvious both in terms of a domestic administrative modernisation and technical assistance under ESI funds. In particular, a more effective targeting of technical assistance is needed in most member states. This entails a precise knowledge of the managing authorities' training needs. Therefore, this survey tries to investigate in which areas more effective training might be necessary. The starting point chosen concerns the thematic objective stated in art. 9⁷ of the Common Provision Regulations. The provisions of art. 9 are quite general and common to many European funds. This occurs because the European Commission in its first proposal for these thematic objectives aimed at prioritising expenditure toward defined general objectives, such as

- strengthening research, technological development, innovation;
- enhancing access to and use and quality of ICT;
- enhancing the competitiveness of SMEs;
- supporting the shift towards a low-carbon economy in all sectors;
- promoting climate change adaptation, risk prevention and management;
- preserving and protecting the environment and promoting resource efficiency;
- promoting sustainable transport and removing bottlenecks in key network infrastructures;
- promoting sustainable and quality employment, supporting labour mobility;
- promoting social inclusion and combating poverty and discrimination;
- investing in education, training and vocational training for skills and lifelong learning;
- enhancing institutional capacity of public authorities.

Secondly, the *ex ante* conditionalities were assessed in terms of training needs. In fact, these are considered a key mechanism to ensure that member states can provide an appropriate policy, legal and administrative framework for the effectiveness of ESI funds. Many studies have clearly assessed how relevant it is to have the necessary capabilities for understanding and working out certain tasks (innovation, infrastructure and so forth). Therefore, it is necessary to have clear feedbacks from managing authorities regarding the *ex ante* conditionalities which they are able to fulfil. Should they not be able to, it is important to provide the assistance needed.

The general ex ante conditionalities concern

- *Antidiscrimination*: The existence of a mechanism which ensures effective implementation and application of directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation and directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin.
- *Gender equality*: The existence of a strategy for the promotion of gender equality and a mechanism which ensures its effective implementation.
- *Disability*: The existence of a mechanism which ensures effective implementation and application of the UN Convention on the rights of persons with disabilities.
- *Public procurement*: The existence of arrangements for the effective application of EU public procurement law in the field of the CSF funds.
- *State aid*: The existence of arrangements for the effective application of EU state aid law in the field of the CSF funds.
- *Environmental legislation relating to environmental impact assessment (EIA) and strategic environmental assessment (SEA)*: The existence of arrangements for the effective application of union environmental legislation related to EIA and SEA.
- *Statistical system and result indicators*: The existence of a statistical basis necessary to undertake evaluations to assess the effectiveness and impact of the programs. The existence of a system of result indicators necessary to select actions which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.

The last part of the survey was devoted to an in-depth assessment of training needs divided by topics. Therefore, for each “macro” topic – such as programming, management, implementation, evaluation and monitoring and financial management and control of the operational management – managing authorities were asked in which ambit they needed assistance or, if capable, whether they would provide such assistance to other actors involved in the process. This part is crucial for assessing the managing authorities’ capabilities and for understanding if they would be able to deliver a good service to the final beneficiaries and the actors (i.e., SMEs) wanting to deal with European funds. The results of this survey enable to draw a general picture of the

managing authorities' training needs. Moreover, it enables to address their lacks more effectively in terms of knowledge. The outcome of each part of the questionnaire will be further analysed in later sections.

5.4 The sample used

With the beginning of the new programming period and considering both the challenges and the problems faced during the previous one, DG Regio tried to understand which might be the lacks in terms of capabilities of the actors involved in the process of implementing, monitoring, auditing and certifying projects financed by European funds. The survey was sent to 500 representatives of managing authorities through unique links (i.e., links accessible only by the email address owner) in order to reach every region of each member state and understand, according to their practical experience in the field, to what extent and in which areas they would like to receive assistance.

Considering the nature of this survey and the specific questions asked concerning the actual level of capabilities owned by the organisation, only the employees aware of the internal capability level were able to reply consistently. Therefore, the level of knowledge required to answer the survey made the collection of responses rather difficult. To provide a better understanding of the results analysed in the following section, it is useful to consider some numbers. Hence, some data concerning DG Regio's survey are provided as follows: 410 email addresses, 130 surveys received before the deadline, return rate 31 per cent, 27 countries reached.

Considering that the survey examines specific topics, it is not surprising that of 410 unique email addresses, only 130 actually completed the survey. In fact, the information required was far beyond the awareness level expected from a common employee. Indeed, in most cases, all levels of the organisation were involved in an inner self-evaluating process. In this scenario, a higher return level could not be expected, precisely because of the amount of knowledge needed to assess in depth the skills owned. Managing authorities are usually very complex organisations, and to know inner strengths and weaknesses perfectly can be a difficult task that necessarily involves the entire organisation and requires quite a lot of time. Moreover, although English is nowadays very unlikely to be considered a "barrier", in this context it might have contributed to the low ratio of replies and discouraged some "recipients" from taking part in the survey.

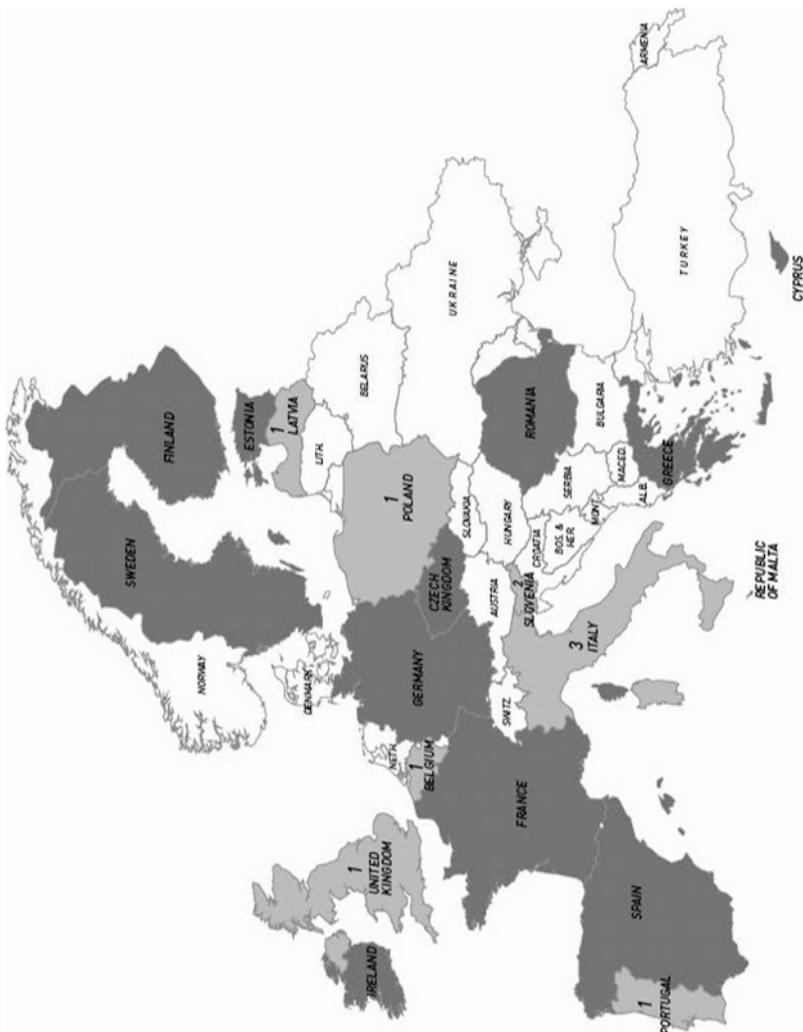


Figure 5.4 The sample used
Source: Author's elaboration.

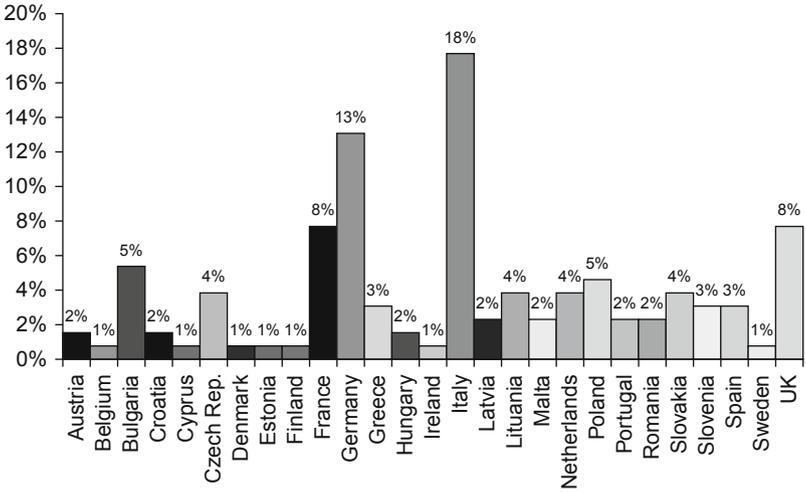


Chart 5.1 Geographical distribution of replies
Source: Authors’ elaboration based on the survey’s data.

Chart 5.1 represents the replies received per country. At an early stage, it is possible to see that Italy (18 per cent), Germany (13 per cent), together with the UK and France (both with the same number of replies), represent almost 50 per cent of the total. “The Managing Authority is usually either a strong central Ministry in the case of CSF and Objective 1 countries, or one of the line Ministries in the case of specific funds, OPs or ROPs” (2003, p. 68).⁸

In this context, the size of each country certainly played an important role in terms of number of replies. In fact, the managing authorities are regional organisations often embodied in the state’s bureaus. Therefore, the high number of regions existing in the country can be the main reason for this disparity. However, despite the problems faced, the questionnaire produced enough data to draw interesting conclusions and especially provide a quite clear overview of managing authorities’ training needs. Therefore, owing to this survey, it is possible to channel the European Commission’s efforts more effectively in terms of training.

5.5 Main results

This section highlights the main outcomes. Thus, starting from the assessment of the training needs divided by thematic objectives – according

to which managing authorities were asked in which areas they needed assistance – the results of the analysis develops toward ex ante conditionalities. The last part, instead, concerns very specific needs in terms of programming, management, implementation, evaluation and monitoring and financial management and control of the operational management.

5.5.1 Thematic objectives

Chart 5.2 represents the outcome of a general question concerning the thematic provisions stated in art. 9 of the Common Provision Regulations (CPR). As briefly described in Section 5.4, the CPR identifies eleven thematic objectives common to

- the European Regional Development Fund (ERDF);
- the European Social Fund (ESF);
- the Cohesion Fund (CF);
- the European Agricultural Fund for Rural Development (EAFRD);
- the European Maritime and Fisheries Fund (EMFF).

These different funds are established for pursuing common policy objectives, and their management is up to member states and the commission. Indeed, they represent one of the main sources of investments at EU level enabling member states to increase economic growth and sustainable development. “The Commission considers that they can be more effectively pursued if the five Funds are better coordinated to avoid overlaps and maximize synergies, integrated fully into the economic governance of the European Union, and contribute to the delivery of Europe 2020 by engaging national, regional and local stakeholders”.⁹

The thematic objectives, as mentioned above, are definitely crucial for managing authorities and for the effective implementation of the resources available for the programming period 2014–2020. Therefore, an in-depth analysis of the results on this topic is crucial.

Chart 5.1 highlights the need for further assistance and training for all the thematic objectives. Especially in areas such as “Strengthening research, technological development innovation” and “Enhancing institutional capacity of public authorities”, it is easy to notice that among the answers to the questions on the thematic objectives 46 per cent of the participants for the former and 52 per cent for the latter, respectively, indicated the need for assistance.

Another aspect on which it is important to focus attention concerns SMEs, more specifically “Enhancing the competitiveness of SMEs”,

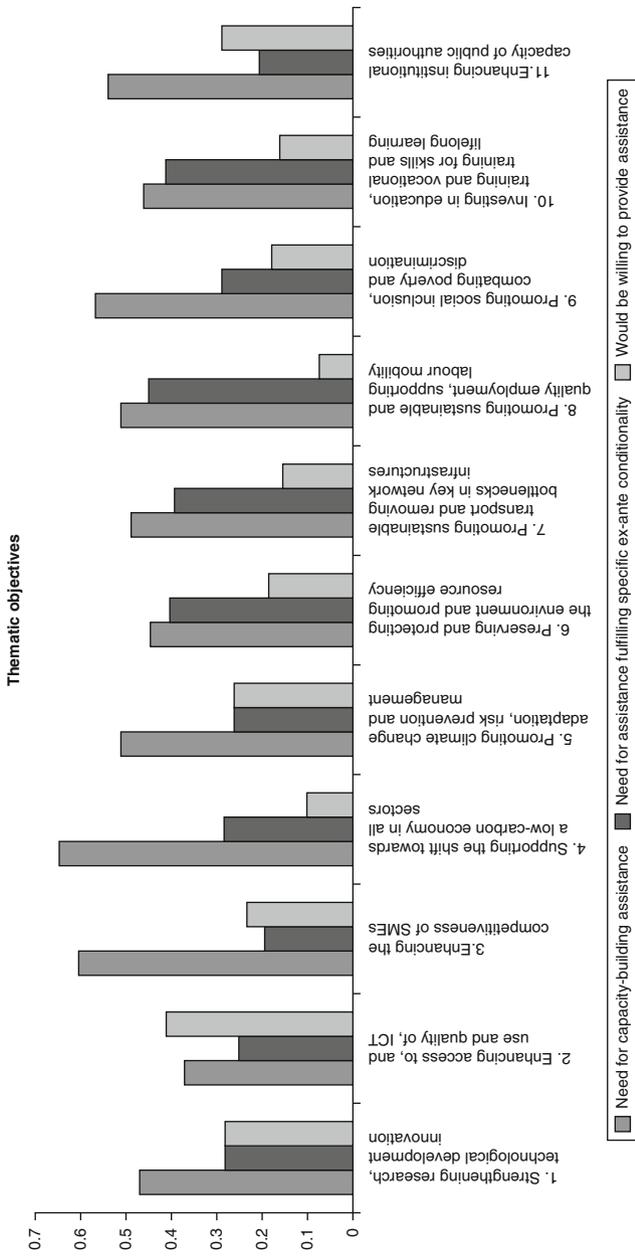


Chart 5.2 Thematic objectives

Source: Authors' elaboration based on the survey's data.

as well as “Supporting the shift towards a low-carbon economy in all sectors”. The majority, 60 per cent and 63 per cent, respectively, indicated the need for assistance in these fields. This result highlights that the great majority of managing authorities does not think it has enough capabilities to achieve these important thematic objectives. This lack of capabilities can also be stressed by the fact that just 20 per cent of the organisations that answered this question consider themselves able to provide assistance to other organisations.

Nonetheless, the picture is not totally negative; in fact, regarding, for example, the thematic objective “Enhancing access to, and use and quality of, ICT”, 40 per cent of the managing authorities replying that they would provide assistance. Hence, concerning the above-mentioned topic and some others, it is possible to find organisations capable of providing assistance; of course, to the extent of what they think about themselves. After focusing the attention on several specific aspects of the questionnaire, it is possible to adopt a general approach in order to have a broader picture of the results concerning the thematic objectives. Chart 5.1 highlights that in almost every topic taken into account, managing authorities are much more likely to ask for assistance instead of giving assistance. This means that there is a further need for training on thematic objectives. Therefore, the European Commission should consider this result as a “tip” for planning training more effectively in order to prepare the actors for the upcoming programming period and, in doing so, contribute to a higher absorption level in each member state.

5.5.2 Ex ante conditionalities

As suggested by the name itself, general ex ante conditionalities are criteria applicable to every sector and policy. The aim of the general ex ante conditionalities is to set up a balanced framework in which European funds can be implemented more efficiently. They concern antidiscrimination, gender equality, disability, public procurement, state aid, environmental impact assessment, statistical systems and result indicators.

As shown in Chart 5.3, the situation regarding ex ante conditionalities is slightly clearer compared with Chart 5.2. In fact, while in the thematic objectives’ area there is a widespread need for assistance, concerning the general ex ante conditionalities it is possible to identify the specific topics that require more attention. For example, as regards antidiscrimination, gender equality and disability conditionality, it is possible to observe that roughly 60 per cent of the participants that

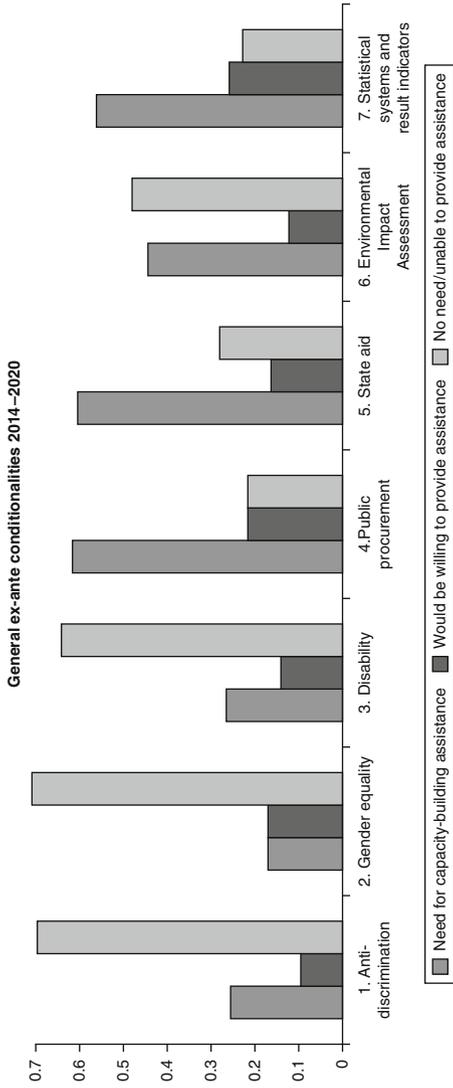


Chart 5.3 Ex ante conditionalities

answered this question marked “no need” for assistance. It is therefore correct to say that the majority of the managing authorities are quite confident on these topics. Nevertheless, this is not the only aspect that can be inferred from Chart 5.3. In fact, from observing this figure, it is also clear that in the case of topics such as public procurement (with 60 per cent of the total responses for need for capacity building assistance), state aid (with 58 per cent) and statistical systems (with 54 per cent), managing authorities expressed a general tendency of need for assistance.

5.5.3 Programming

As discussed earlier, the managing authorities’ needs for assistance were analysed. In order to better understand the relevance of this topic, it may be useful to start with a consideration: “As well as being a core principle, Programming is a key management tool. Conducted on a multi-annual basis, it involves the determination of objectives to be achieved against the background of an analysis of the socio-economic context, and the identification of Priorities and Measures capable of converting these objectives into forms of intervention, or projects, that will deliver the outcomes desired” (Herta Tödting-Schönhofer [ÖIR], Pat Colgan [ÖIR], Haris Martinos [LRDP], Begona Sanches [IDOM], 2003, p. 13).¹⁰ In this regard, the participants were asked on what basis they chose the thematic objectives for whose tasks they needed assistance the most.

The first graph on programming (Chart 5.4) shows clear data highlighting recipients’ general propensity toward need for assistance on programming. The data collected are as follows:

- Setting up financial instruments (implementing modalities): 91 per cent of total responses state “need for assistance”.
- Developing and implementing strategies and plans in relation to the e-Cohesion: 81 per cent of total responses state “need for assistance”.
- Establishing a performance framework: almost 93 per cent marked “need for assistance”.
- All tasks related to programming: in this case, almost 64 per cent of the total responses stated “need for assistance”.

Chart 5.5 highlights that managing authorities, at least those that answered this question, need help in managing this task. However, this is not a bad result. In fact, now it is possible for the European Commission

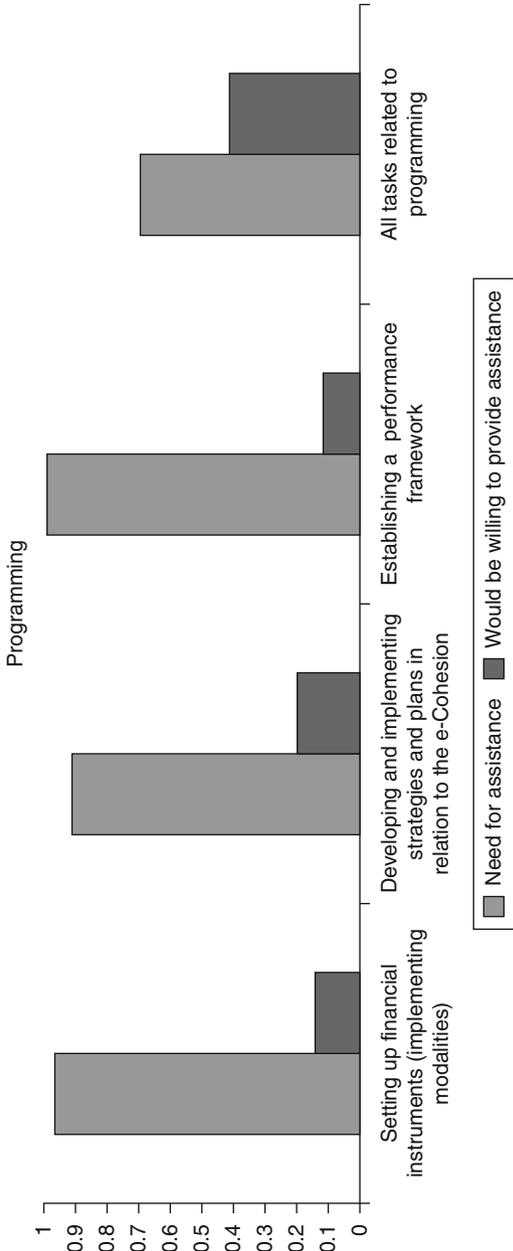


Chart 5.4 Programming, management, implementation, evaluation and monitoring and financial management and control of the operational management

Source: Authors' elaboration based on the survey's data.

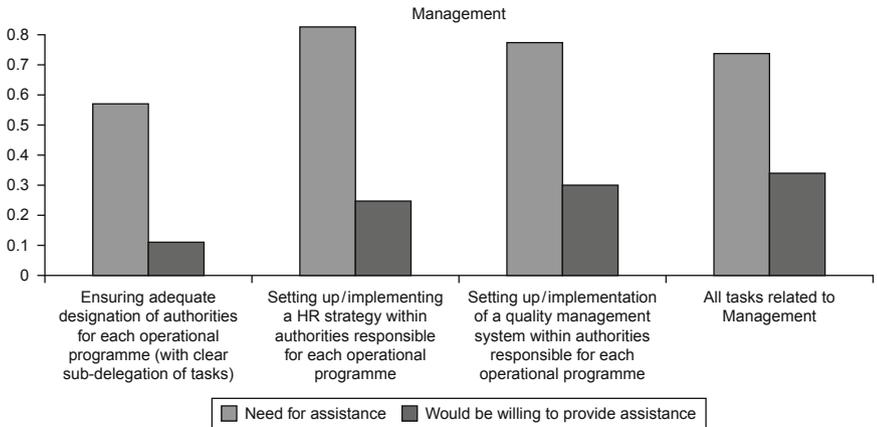


Chart 5.5 Management

Source: Authors' elaboration based on the survey's data.

to address the lack of capabilities that make managing authorities feel dubious or unable to provide assistance as regards a more effective and efficient "programming".

5.5.4 Management

Chart 5.6 confirms the general trend discussed above but with slightly different data. In fact, as regards the choices "Setting up/implementing a HR strategy within authorities responsible for each operational program" and "Setting up/implementation of a quality management system within authorities responsible for each operational program", it is possible to observe that for the former, almost 74 per cent of those that replied to this question marked "need for assistance", and almost 80 per cent did the same for the latter. As regards "Ensuring adequate designation of authorities for each operational programme (with clear subdelegation of tasks)", it is possible to observe that almost 53 per cent chose "need for assistance", while 47 per cent stated they were able to provide assistance. Therefore, in this respect it is necessary to increase the level of capabilities of managing authorities, even if not to the same extent as regards the programming task.

Chart 5.6 provides data on implementation; in other words, it shows whether managing authorities think they are capable of implementing European funds or need assistance. This task can be considered the one

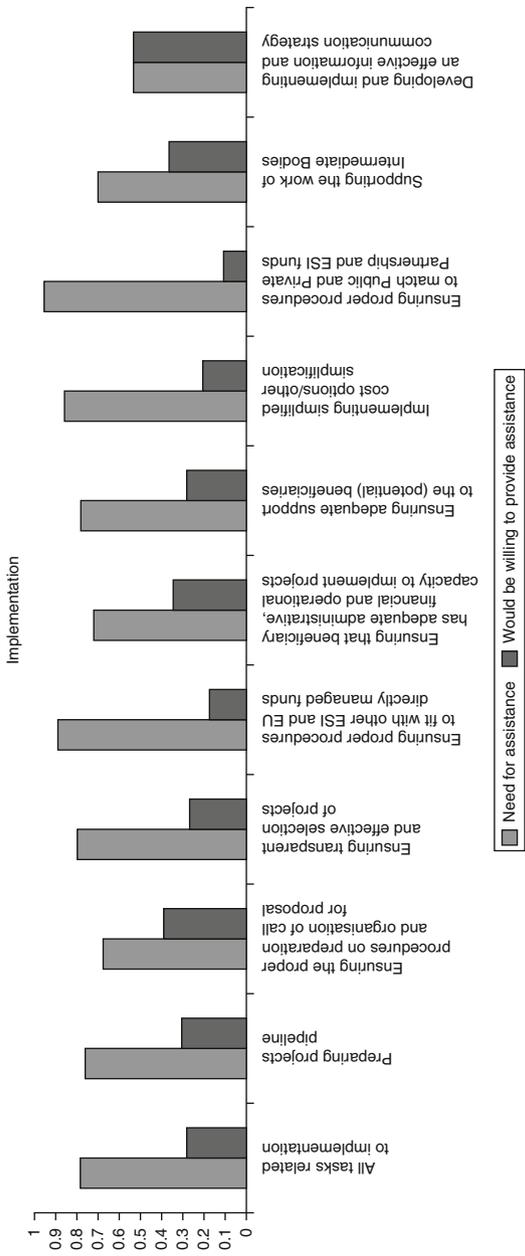


Chart 5.6 Implementation

Source: Authors' elaboration based on the survey's data.

that influences most directly the absorption of ESI funds; therefore each response deserves to be analysed.

- *Preparing projects pipeline*: concerning this topic, 75 per cent of the total responses stated “need assistance”.
- *Ensuring the proper procedures on preparation and organisation of call for proposal*: here 72 per cent of the participants replied “need assistance”.
- *Ensuring transparent and effective selection of projects*: also in this case, 64 per cent marked “need assistance”.
- *Ensuring proper procedures to fit with other ESI and EU directly managed funds*: as regards the effective coordination with other direct funds, 85 per cent of repliers marked “need assistance”..
- *Ensuring that beneficiary has adequate administrative, financial and operational capacity to implement projects*: not to the same extent as other replies, but also here the majority of respondents (68 per cent) answered “need assistance”.
- *Ensuring adequate support to the (potential) beneficiaries*: concerning the support to beneficiaries, almost 75 per cent marked “need assistance”.
- *Implementing simplified cost options/other simplification*: in this case, 82 per cent of the participants replied “need assistance”.
- *Ensuring proper procedures to match public and private partnership and ESI funds*: 92 per cent, in this case.
- *Supporting the work of intermediate bodies*: also concerning this topic, 66 per cent of the total responses stated “need assistance”.
- *Developing and implementing an effective information and communication strategy*: this topic is the only one within the implementation task where the situation is balanced; 50 per cent chose “need assistance” and the other 50 per cent “would be willing to provide assistance”.

Implementation is one of the most important tasks that positively or negatively affects the level of absorption and the actual “use” of European funds; nonetheless, in this field, managing authorities show a deep need for assistance in order to implement, plan and coordinate ESI funds.

5.5.5 Evaluation and monitoring

“Feedback complements the use of strategic objectives and decentralized implementation processes. Feedback systems should be improved to produce consistent monitoring and evaluation systems, which include transnational thematic evaluations by the Commission. Strict financial

control would also become more important” (Lang et al., 1998, p. 5).¹¹ The European Commission’s approach is based on the collection of data and feedback in order to modify and enhance how the European funds are managed and implemented. In this light, evaluation and monitoring have acquired increasing value across the years. Nonetheless, Chart 5.7 reflects a further need for training. Especially for topics such as “Setting up a system to gather reliable financial and statistical information on implementation” and “Drawing up an evaluation plan and executing evaluations, including evaluations to assess effectiveness, efficiency and impact of a programme”, it is possible to see that both – the former with 88 per cent and the latter with 66 per cent – express an important need for additional assistance. These data are very important because the improvement of the effectiveness of ESI funds goes hand in hand with data collection and feedback. Therefore, it is necessary to respond to a request for assistance in order to have progress in the European funds framework.

5.5.6 Financial management and control of the operational management

Chart 5.8 represents the outcome of the task related to “financial management and control of the operational management”. In this case, it is possible to see how the opinions collected are different for each area. In fact, as shown in the graph, in areas such as “Putting in place effective and proportionate anti-fraud measures”, the majority (90 per cent of those that replied) needs assistance, and in areas connected to “all tasks related to financial management and control of the Operational management”, 77 per cent of the people who replied pointed out an overall need for assistance. While these results can be easily interpreted because of the strong consensus of the need for assistance expressed by the recipients, the situation is quite different for other tasks; some of the recipients would like to receive assistance, but some others would like to offer it. In fact, it is possible to see how – for example, in the task “Ensuring proper procedures for administrative verifications and treatment of application for reimbursement, authorization of payments, and on-the-spot verifications” – 64 per cent of participants stated they would provide assistance. By adopting this option, they assume they are capable enough to fulfil this task and eventually provide assistance to external actors. Also, concerning “Monitoring the results of the management verifications and audit results”, the data show how the situation is quite balanced, and thus, by creating an efficient network, managing authorities would be able to support each other in carrying out this task.

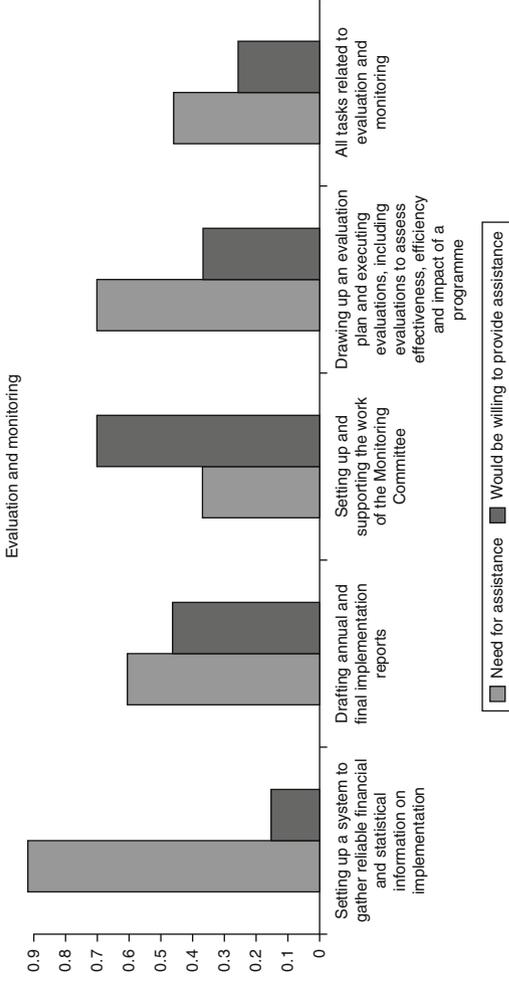


Chart 5.7 Evaluation and monitoring

Source: Authors' elaboration based on the survey's data.

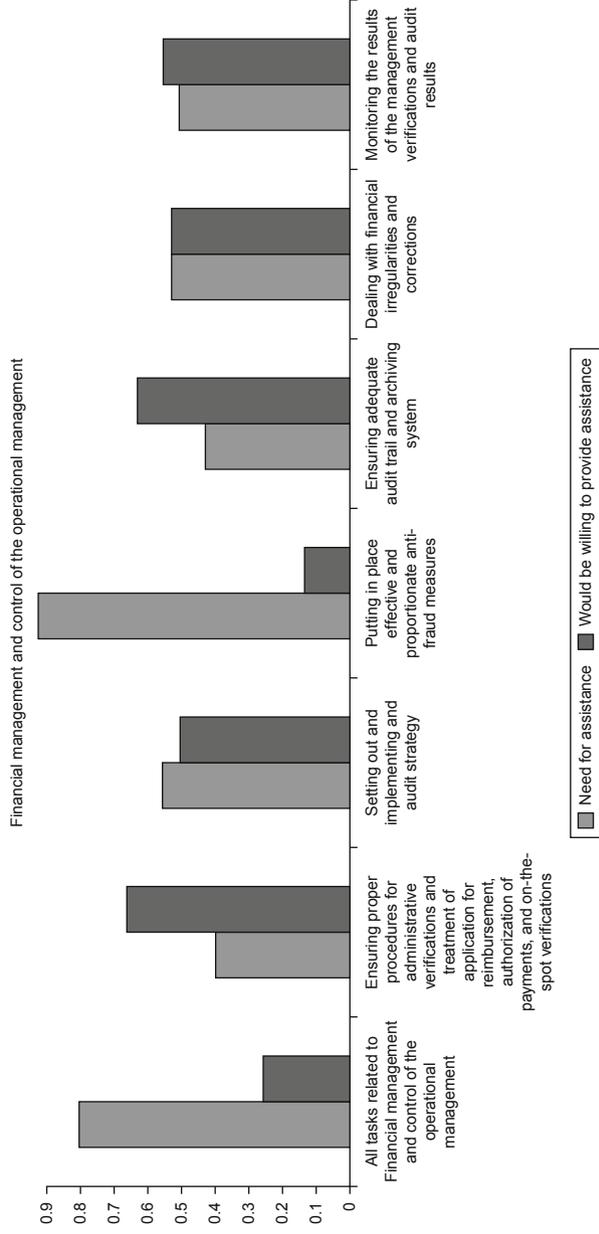


Chart 5.8 Financial management and control of the operational management

Source: Authors' elaboration based on the survey's data.

5.6 Conclusions on first survey

It is difficult to assess the training needs of intermediate bodies. It is even more difficult when taking into account that often these organisations are within bigger public administrative bodies. Indeed, this scenario makes the inner self-assessment process rather slow and hard to pursue. Nonetheless, the survey – carried out by DG Regio – produced very clear and important results for channelling the European Commission’s training efforts more effectively. The theory according to which a highly skilled and independent bureaucracy is crucial for driving the economy toward innovation and therefore economic growth¹² can further clarify, if necessary, the relevance of this study and the importance of the capability level of intermediate bodies. Indeed, these are the most important actors for an efficient and effective implementation of public funds; therefore, for enhancing the impact on the real economy, the starting point can actually be training. The DG Regio survey does its part by highlighting the managing authorities’ need for assistance, in other words training, throughout the EU. Owing to the data collected, it is possible for the commission to know how to fill the knowledge and capabilities gaps and make the EU’s intermediate bodies able to fulfil the challenges put in place by the new programming period 2014–2020 and face the eurozone’s still stagnant economic condition.

5.7 Second survey: aims, investigation areas and sample used

While the first questionnaire focused on the MAs’ general capacity building in Europe, with the second questionnaire the Italian National Agency for Microcredit, within the Capacity Building project, sought to acquire information on the specific capacity building of the EU member countries in the microfinance sector for the following reasons:

- The microfinance sector is playing an increasingly strategic role following the economic slowdown and crisis that gripped several European countries and produced a growing number of financially excluded subjects (socially excluded as well).¹³
- The EU cohesion policy stresses the need for smart, sustainable and inclusive growth of population targets who struggle to be actively part of their social and economic contexts as well as the MAs’ necessity to establish clear, transparent and measurable objectives.

The workgroup of the Capacity Building project of the Italian National Agency for Microcredit decided to verify the state of the art of the MAs' capacity building in terms of programming, monitoring, measurement/assessment of activity in the microfinance/microcredit programmes. In this perspective, the workgroup designed a questionnaire that started from a few key questions: "Did the MAs carry out measuring and monitoring activities on the micro-finance programmes? Do they own data on projects activated, loan amounts, etc.? What are the target beneficiaries of the programmes? Is there a regulatory framework on the micro-credit and micro-finance sector?" These questions constituted the guidelines used by the workgroup to elaborate the four investigation areas presented herein (see Section 5.1): (1) *analysis of the main results of the microcredit/microfinance programming activity*; (2) *target group and other operational features*; (3) *monitoring and reporting activities*; (4) *regulatory framework of microcredit/microfinance sector and others*. The questionnaire was prepared following meetings and discussions on the topics analysed by making use of all expertise and skills developed in the microfinance sector; the questionnaire underwent a preliminary testing phase in order to tweak and improve the questions; then it was sent by mail to the recipients, and they were contacted by phone to complete it – all over a period of two months. According to a precise choice of the workgroup, the questionnaire collected data related to the period 2011–2013.

The questionnaire was sent to the following countries: Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Malta, Poland, Portugal, United Kingdom, Czech Republic, Romania, Slovenia, Spain, Sweden. In some cases, multiple MAs were contacted within the same country, for instance Italy, where the questionnaire was sent to the four regions involved in the former convergence programme (Campania, Calabria, Apulia, Sicily). The questionnaire was administered by contacting the recipients by email and telephone. The response rate has been very low (see Figure 5.4); this does not allow us to infer statistically valid and solid observations on the topics investigated but only to lay down some preliminary considerations. The scarce number of questionnaires filled (just nine) is also the result of an objective difficulty of the MAs to find the required data and, most likely, also a sign of their poor reporting and monitoring activity on the microfinance programmes implemented.

These preliminary findings lead us to consider this questionnaire a work in progress to be sent again to the MAs in a few years, when hopefully the cohesion policy will prompt the member states to put greater

attention to monitoring and measuring the social and economic impact produced by the funds provided by the European Commission. Likewise, the member states will hopefully focus on their reporting activity as well as on measuring and assessing results achieved.

However, this second empirical analysis provided an opportunity to reflect on the weaknesses of the structural funds management methods of the member states.

5.8 The main results of the survey: first considerations

This section highlights the main outcomes of the second survey; more precisely, it offers some reflections on the items analysed within the reference period (2011–2013) and the four investigation areas. Not all questions contained in the questionnaire were processed and presented in the tables below; we focused only on the ones that received the most answers.

5.8.1 Analysis of the main results of the microcredit/microfinance programming activity

According to the nine questionnaires available, we can observe a growing number of microcredit programmes activated in the period investigated (Table 5.1); some of the countries that returned the completed questionnaire claimed that they did not activate any specific programme dedicated to the microcredit/microfinance sector in the three-year period analysed.

Table 5.2 shows instead that the total amounts of the loans granted under these programmes vary considerably from one country to another; for each one of these, the capacity building workgroup showed not just the total amount of loans granted (economic additionality) but also other results worth mentioning. The answers to this question are integrally presented in Table 5.3, which shows that the answer sought was often not provided. The main reason most likely lies in a lack of monitoring on the projects and programmes activated that could measure their social and economic impact. This is one of the criticalities specifically addressed by the new EU cohesion policy, which regards monitoring, measuring and reporting as some of the most strategic and critical phases of the entire programming activity.

The workgroup tried also to use the questionnaire to get an understanding of the type of microcredit programmes activated in the three-year period (entrepreneurial microcredit/social microcredit) as well as the beneficiary target groups of the microcredit/microfinance programmes.

Table 5.1 Programmes activated

How many microcredit/microfinance programmes have been implemented by your institution during the last three years (2011–2013)?	2011	2012	2013
Belgium	n/a	n/a	n/a
Italy (Sicily)		1	1
Italy (Campania)		1	1
Italy (Apulia)		1	1
Latvia	1: Microlending programme	1: Latvian Swiss microlending programme	1: Latvian Swiss microlending programme
Poland	n/a	n/a	2
Portugal	1: Azorean Scheme Support for microcredit based on banking loans	1: Azorean Scheme Support for microcredit based on banking loans	7: Azorean Scheme Support for microcredit based on banking loans
Slovenia (Maribor)	n/a	n/a	n/a
Slovenia (Ljubljana)	n/a	n/a	n/a
Wales	1: Delivery of JEREMIE microfund	2: Delivery of JEREMIE microfund Launch of Wales Micro-Business Loan Fund	2: Delivery of JEREMIE microfund Delivery of Wales Micro-Business Loan Fund
Total	4	6	15

Source: Authors' elaboration based on the survey's data.

Most MAs that were administered the questionnaires declared that 80 per cent of the programmes activated are entrepreneurial microcredit, and 60 per cent of them seem to be dedicated to bankable subjects. Some MAs clearly say that they have no clue about the bankability of the subjects financed: "We do not monitor and do not have any evidence whether enterprises are in a position to get the bank loans or not".

Table 5.2 Total amount of programmes activated

What is the total loan amount related to the microcredit/microfinance programmes disbursed in each of the last 3 years (2011–2013)?	2011	2012	2013
Belgium	n/a	n/a	n/a
Italy (Sicily)		1,554,281.00	Monitoring as of 30 June 2013. The total amount of loans disbursed including those granted in 2012 is 1,887,001.00
Italy (Campania)	n/a	n/a	9,516,190.90
Italy (Apulia)			365,167.45
Latvia	1,313,000	3,662,000	1,962,000
	n/a	n/a	n/a
Poland	n/a	n/a	Around €1 million
Portugal	27,611	59,361	112,178
Slovenia (Maribor)	5,000,000	n/a	n/a
Slovenia (Ljubljana)	n/a	n/a	n/a
Wales	496,995	95,613	1,988,282

Source: Authors' elaboration based on the survey's data.

Table 5.3 Other main results

What are the main results of your microcredit/microfinance programmes that you could highlight?	
Belgium	n/a
Italy (Sicily)	According to the 2012 results, the instrument of social microcredit pursuant to art. 25 of regional law no. 6/2009, as subsequently modified and amended, mainly met the need to support household expenditure for life projects aimed at developing and/or improving their social and economic conditions and to implement measures ensuring access to credit for households as well as the provision of decent housing with the minimum facilities to ensure dignified living
Italy (Campania)	Results cannot be evaluated at the moment

(Continued)

Table 5.3 (Continued)

What are the main results of your microcredit/microfinance programmes that you could highlight?

Italy (Apulia)	<p>The Microcredit Fund for Enterprises of the Region Apulia is provided under the Multiannual Operational Programme of Implementation of the PO FSE 2007–2013 (Axis II “Employability”) with the objective to ensure access to credit to non-bankable subjects who have good investment ideas. 324 preliminary applications were completed online. They generated a total request for funding amounting to €7,194,940.68. The average loan requested per application is €22,206.60. 426 preliminary applications are being processed on the Apulia System (Sistema Puglia) portal. As of 31 December 2013, the first 315 applications submitted were checked for eligibility purposes, with the following outcome: 82 applications cannot be processed; 233 applications can be processed</p> <p>Out of the 233 applications that can be processed, for 169 of them interviews were held and requests for loan were formalised. Out of these applications, 90 were accepted, 33 were not accepted, and 27 applicants dropped their requests. Currently, 22 applications are being examined. Decisions to grant loans were approved for 90 enterprises. Total loan amount granted so far amounts to €365,167.45 for 16 enterprises</p>
Latvia	<p>Improved access to finance (both for investment and current assets) for microbusinesses, especially in rural areas; approximately 2,000 safeguarded or newly created jobs</p>
Poland	<ol style="list-style-type: none"> 1. The SEE Support Programme (the programme has been activated in March 2013): <ul style="list-style-type: none"> – 51 loans granted to Social Economy Enterprises (SEE) – Executed 17% of allocation of the SEE Support Programme – Loans granted under 5 separate loan funds covering the whole area of Poland and loans granted directly to SEEs 2. The start-ups support project: <ul style="list-style-type: none"> – The project has been implemented for 6 months so far 3. Loan funds for start-ups were established (start-up support project financed by national public funds).
Portugal	<p>Allows for access to credit, creation of self-employment activities, development of personal projects, financial survival of families</p>
Slovenia (Maribor)	<p>Total of 212 micro and small enterprises supported</p>
Slovenia (Ljubljana)	<p>We did not have a financial instrument like microloans; with regard to financial engineering instruments, we implemented interest rate subsidies, guarantees and a joint venture scheme (repayable aid) through financial engineering instruments</p>
Wales	<p>n/a</p>

Source: Authors’ elaboration based on the survey’s data.

Table 5.4 Target of the microcredit programmes

Years	Unemployed or people on welfare	Women	Young people (18–30 years old)
2011	X, X	X	X
2012	X	X	X
2013	X, X, X	X	X

Source: Authors' elaboration based on the survey's data.

Most microcredit/microfinance programmes activated in the 2011–2013 period were dedicated to unemployed individuals or people on welfare, women or young people, as shown by Table 5.4.

During the research, we also tried to investigate the kind of networks the MAs implemented for activation of the programmes; so we asked them to indicate what other institutions (banks, credit guarantee schemes, other financial corporations, etc.) were involved and the roles they played in the programme. The Latvian MA pointed out that “In both the previous and the current Micro-lending Programme, the bank is directly involved, with the exclusion of any other institutions”. Generally, the most mentioned subjects were public regional financial companies and banking intermediaries. Companies/institutions providing non-financial services were never mentioned, probably due to scarce awareness that such services are strictly complementary to provision of credit.

Generally, the microcredit/microfinance programmes were activated to provide personal guarantees to support loans or, alternatively, guarantees required for loan disbursement purposes; in just one case (micro-loans for micro and small enterprises: Slovene-Ljubljana Programme) two bills were required, and in another one the publicly financed fund to cover the first loss of an operation was activated for small business enterprises (Slovene-Maribor).

Question 12 was aimed at identifying the financing methods of the microcredit programmes activated. Table 5.5 shows the clear reliance of these programmes on public funds – a peculiar yet common occurrence in the microcredit sector.

A few interesting answers were provided on features of the programmes that the MAs would like to change; some of them, in fact, pointed out a need for “more promotion of entrepreneurship, more entrepreneurship training in order to provide the skills needed to create a business”.

Table 5.5 Financing methods

Mark with an X the financing method for each program	Programme name (write the year of execution in brackets)	Private and public funds	Structural funds (specify)	Other (specify)
Belgium	n/a			
Italy (Sicily)	Microcredit for families pursuant to art. 25 of the regional law no. 6/2009 as subsequently modified and amended (period 2012–2013)			
Italy (Campania)	ESF Microcredit Fund (2012)		ESF	
Italy (Apulia)	ESF Microcredit Fund (2013)		ESF	
Latvia	Microcredit for Enterprises of the Region Apulia (2012/2013)	X	ESF	
	Microcredit programme	X		
	Latvian Swiss microlending programme	X		
Poland	The SEE Support Programme (2020)			
	The start-ups support project (2023)			
Portugal	Azorean scheme support for microcredit based on banking loans 2006–2013	X		
Slovenia (Maribor)	Microloans for micro and small enterprises (2013)			X (for the coverage of first loss)
Slovenia (Ljubljana)	ERDF (2007–2013)	X	X	
Wales	JEREMIE micro fund	X	X (JEREMIE)	
	Wales Micro-Business Loan Fund			

Source: Authors' elaboration based on the survey's data.

5.8.2 Monitoring and reporting activities

All the MAs that filled the questionnaire claimed that they monitored and controlled the programmes activated, although such statements seem to collide with a clear lack of data on the social and economic impact of such programmes as requested by the questionnaire.

The question “describe how often the report is carried out as well as recording methods and data” was answered quite differently by the various MAs contacted (see Table 5.6); as a matter of fact, the table seems to indicate that the MAs are willing to monitor the activities only for the purpose of complying with the EU authorities, instead of considering it one of the strengths of the programmes. In particular, the Latvian MA pointed out that “the report contains both description of the progress and statistics of the microloans awarded (including regional dimension, branches, etc.), as well as detailed information on actual management costs (as these costs are fully covered by public funds)”; similarly, the Polish MA stated that “the report contains quantitative data concerning: loans, disbursements, borrowers, applications, state of a bank account, information and promotion, amortisation, vindication”.

Almost all the MAs analysed activated a website dedicated to their microcredit/microfinance programme; in some cases though, such websites provided scarce information on the programme’s details (Table 5.7).

5.8.3 Regulatory framework of microcredit/microfinance sector and other

Question 16 was aimed at understanding whether, in the MAs’ opinion, their microcredit/microfinance programmes were or were not useful to tackle the current economic-financial crisis. Almost all MAs came up with a positive answer; the Welsh MA pointed out that “All applications for investment received by Finance Wales are from Welsh SMEs with growth aspirations, either from start-up business or existing companies. They approach Finance Wales if they have been unable to source the funding from traditional private sector sources. Finance Wales provides the ‘gap’ funding, as a result of the applicant being considered too high risk for the private sector or due to a lack of available security. As a result of the economic crisis the banks’ appetite for risk has further diminished, increasing the need for Finance Wales provision. The businesses supported are looking to grow and safeguard and create local jobs”. At the same time, the Latvian MA explained that in their opinion, “Every kind of micro-lending facilities, not only in the context of the crisis,

Table 5.6 Reporting activity: details

Describe how often the report is carried out as well as recording methods and data

Belgium	On a quarterly-basis
Italy (Sicily)	Semi-annual periodic report sent to Igrue. Information is extracted from the MA database and sent on a specific format provided by the ministry
Italy (Campania)	Semi-annual report containing the list of approved actions, including the following: loan amount, data on the enterprise supported (end beneficiary); list of unpaid instalments; loss to be absorbed by the fund; list of any amounts recovered; liquidity of the fund
Italy (Apulia)	Semi-annual report monitoring financial and physical items including financial, physical and formal indicators as well as other information on the individual projects
Latvia	The project agreement requires submission of regular reports on a quarterly basis, as well as a yearly report at the beginning of each year. The reports contain both description of the progress and statistics of the microloans provided (including regional dimension, branches, etc.), as well as detailed information on actual management costs (as these costs are fully covered by public funds)
Poland	<p>1. The SEE Support Programme: Reporting must be carried out at least on a quarterly basis through the web application form provided by the Polish Ministry for Infrastructure and Development;</p> <ul style="list-style-type: none"> - quantitative data concerning loans, disbursements, borrowers, applications, state of a bank account, consulting, information and promotion, controlling, vindication <p>2. The start-ups support project: Reporting must be carried out at least on a quarterly basis using the Excel application form provided by the Ministry of Labour and Social Policy;</p> <ul style="list-style-type: none"> - quantitative data concerning loans, disbursements, borrowers, applications, state of a bank account, information and promotion, amortisation, vindication
Portugal	Only statistical data
Slovenia (Maribor)	Reporting is carried out in accordance with the financial agreement with the Ministry of Economic Development and Technology: quarterly, yearly
Slovenia (Ljubljana)	We report to the EU Commission on the implementation of financial engineering instruments only on a quarterly-basis
Wales	Reporting required on a quarterly basis; reporting on investment performance and outputs

Source: Authors' elaboration based on the survey's data.

Table 5.7 Websites of the microcredit programmes activated

Italy (Sicily)	Microcredit for families start: 2012	http://pti.regione.sicilia.it/portal/page/portal/PIR_PORTALE/PIR_LaStrutturaRegionale/PIR_AssessoratoEconomia/PIR_Microcredittopertefamiglieciliane
Italy (Campania)	ESF Microcredit Fund (2012) ESF Microcredit Fund (2013)	http://microcreditofose.sviluppocampania.it/ http://microcreditofose.sviluppocampania.it/
Italy (Apulia)	Microcredit for Enterprises Region Apulia (2012/2013)	www.sistema.puglia.it/microcredito
Latvia		http://www.hipo.lv/lv/attistibas_programmas/mikroreditesanas_programma http://www.swiss-contribution.lv/page/69 http://www.swiss-contribution.admin.ch/latvia/en/Home/Projects/Approved_projects_in_detail?projectinfoID=201747#form2
Poland	The SEE Support Programme The start-ups support project EU financial instruments at BGK	www.bgk.com.pl/pes http://www.bgk.com.pl/43 www.bgk.com.pl/wsparcie-w-starcie http://www.bgk.com.pl/43
Portugal	Azorean scheme support for microcredit based on banking loans 2006–2013	http://www.azores.gov.pt/Portal/pt/entidades/vp-draic/textoTabela/Regime+de+apoio+ao+microcredito+bancario.htm
Slovenia (Maribor)		www.podjetniskisklad.si
Slovenia (Ljubljana)	Slovenian Enterprise Fund (SEF)	www.podjetniskisklad.si
Wales	JEREMIE micro fund Wales Micro-Business Loan Fund	www.financewales.co.uk www.financewales.co.uk

Source: Authors' elaboration based on the survey's data.

is crucially important for the country. The current programme shows that there is a strong demand for micro-loans, especially in the countryside and smaller communities/ border regions. Implemented micro business projects provide jobs, create new ones, raise incomes for micro-enterprises and their families. Thus, these kinds of public support have positive economic as well as social effects". The Polish MA stated in the questionnaire that their programmes were aimed at supporting enterprises during the economic crisis. The SEE Support Programme's main goals are: support of SEE development (increasing incomes and/or skills of employees), creating a revolving financing system. The start-ups support project's main goals are youth entrepreneurship development and creation of new employment opportunities.

The MA from Slovenia (Maribor) indicated that "Micro-loans are dedicated to micro and small enterprises. The product prevents financial exclusion of micro and small enterprises. The eligible costs are: material investments and working capital". The MA from Ljubljana stated that the instruments activated were very helpful as they allowed SMEs to access financial sources and simplify the business environment. The MA from Sicily clarified that "The micro-credit programme for families under art. 25 of the Regional Law No. 6/2009, as subsequently amended and modified, is a useful instrument to prevent families facing economic difficulties from falling prey of loan sharks and usury".

The MA from Apulia provided a much more articulated answer to the question. In fact, it pointed out that "a significant obstacle hindering the economic development of our region lies in the difficulty to access credit for the local micro-enterprises, which, unlike their bigger competitors, are being affected by an increasingly scarcity of credit sources. In recent months, the problem has reached a critical point, to the extent of jeopardizing the very own existence of several businesses as well as generating severe impacts on their capability to retain their workers (for entrepreneurs and self-employed subjects alike). Even bigger is the impact on employment, with specific regard to youth. The impossibility to access credit, in fact, prevents companies from making new investments and, consequently, from hiring new workers. Demand for low-amount loans is high in the region, especially by small-sized businesses. An effective policy to support credit can help promote a new model of social and economic development in the region based on high human capital intensity and low environmental impact, with a specific focus on the role played by female and young entrepreneurs. Such policy will support entrepreneurship and the innovative and sustainable

conversion of traditional activities, focusing on the human capital as the main productive factor”.

We chose to quote the integral positions expressed by some of the MAs in the questionnaire as they provide the EU authorities with useful feedback for their future planning of activities.

Finally, we had the impression that the MAs contacted have poor knowledge or none at all of the regulatory framework on microcredit or microfinance, including aspects already covered by EU legislation (definition, eligible operators, eligibility requirements, etc.). Proof of this is that almost all of them did provide an answer when asked if there was a definition of microfinance and microcredit in their regulatory financial framework. The Welsh MA pointed out in the questionnaire that “There is no definition of microfinance or microcredit in the UK the Financial Conduct Authority. They, as well as other UK bodies including HMRC, define a ‘micro-enterprise’ as an enterprise that: employs fewer than ten persons; and has a turnover or annual balance sheet that does not exceed €2 million. An enterprise is any person engaged in an economic activity, including self-employed persons, family businesses, partnerships or associations”.

On the same topic, the Latvian MA said: “The programmes implemented within the EU funds contain a definition of SMEs, including micro-enterprise, in accordance with Commission Regulation (EC) no. 800/2008 of 6 August 2008, declaring certain categories of aid compatible with the common market in compliance with arts 87 and 88 of the Treaty (general block exemption regulation)”. However, there is no common definition for the terms “microfinance” and “microloans”. Microfinancing is being implemented in accordance with the market practice. Likewise, there is no definition of the term “microcredit”, although the programme regulations specify the maximum amount of the microloans.

5.9 Reflections on the second survey

Although not statistically solid, the second survey prompts some considerations on the current situation. It is clear that monitoring does not necessarily involve the production of a huge volume of documents and reports to comply with the EU authorities as normally happens; on the contrary, the monitoring phase should focus on and assess the impact of the use of structural funds over time. Using the ESF to fund several projects or using a great deal of EFS resources could be an alarming indicator if such resources are invested in harmful or useless projects;

claiming to have supported several companies to access credit is not the same thing as learning how to assess whether support is given to non-bankable or bankable subjects or not following their creditworthiness assessment (scoring/rating), the amount of the loans granted, their repayment terms and what kind of investments were supported through the loans and how many jobs they created.

For such purposes, it is necessary to build a monitoring system suitable to measure the programme's efficiency and use of public resources. From a methodological perspective, this translates into an integrated approach – from information to coaching – able to coordinate the efforts of all participants. This should be implemented in accordance with the objectives set within the Europe 2020 policy framework and reaffirmed by the European policy guidelines for the programming period 2014–2020, which encourage member states to devote public resources to economic development and social cohesion in a timely and efficient manner. Hence, the expected results in the surveyed countries need to be clearly defined and disseminated to both policymakers and end users in order to lead to a true open public debate. These recommendations are true for emerging countries as well as for the European sector, since our research has shown that the effectiveness and outreach of micro-credit programmes in the latter is even more questionable. In any case, this is a delicate matter; it needs to be further investigated in order to substantially improve the policymakers' programming efforts.

In addition, the MAs must gain knowledge and use the financial instruments that can be activated thanks to the EU resources. Not just guarantees but also securitisation, microinsurance, housing microcredit, micro leasing, and the like. The programmes surveyed by this second survey provided loans through public financial entities or guarantees to support access to credit; the MAs must extend their range of products offered in accordance with the guidelines of the new programming period Europe 2020 and the needs of the market. In the current financial and economic crisis, it is necessary to adapt the products to the clientele in order to be able to best respond to their needs. This translates into a wider range of products, including customised tools. The MAs must develop and acquire specific skills dedicated to the financial instruments; the existing expertise has not always met the actual needs, and there has often been a lack of specific knowledge on financial instruments. The advantages of using such financial instruments have been repeatedly outlined in a number of reports, including Cowling (2010), ECA (2012), EC (2010, 2011, 2012a), EP (2012, 2012b), Michie and Wishlade (2011) and Ward (2012). The alleged advantages concern the following areas:

leverage effect; sustainability; capacity building; risk coverage; speeding up programme implementation; urban development. Such benefits must now be subjected to experiment by the operational practice, especially under the new programming period.

The MAs should also implement information systems on the programmes activated that could be easily accessed by the target beneficiaries. This would also improve their knowledge of the national regulatory frameworks on microfinance as well as the efficiency and effectiveness of EU resources; according to the few questionnaires completed, it seems that the MAs largely ignore the regulatory provisions in the microcredit/microfinance sector. In order to succeed, a specific programme dedicated to these sectors obviously entails the knowledge of their regulatory provisions. A definition of microcredit is shared by the EU member countries, but their regulatory frameworks do not include a definition of microfinance (the definition adopted by this research originates from business practice).

The European Commission, in fact, defines microcredit as any loan of €25,000 or less granted to a microenterprise (i.e., enterprises with fewer than ten employees whose annual turnover and/or balance sheet does not exceed €2,000,000). This limit has been adopted by several regulatory frameworks in Europe. “A European initiative for the development of micro-credit in support of growth and employment”, published in November 2007 (COM (2007) 0708), encourages all member countries to adopt appropriate national, institutional, legal and commercial frameworks needed to promote a more favourable environment for the development of microcredit.

As is known, microcredit was born in Europe not only to tackle social exclusion and poverty but also to promote innovation and economic development by providing opportunities to access finance to subjects willing to unleash their entrepreneurial energies and spirit but excluded from the financial system.

However, there is no doubt that in order to develop the microfinance sector, regulators and governments in particular need to implement specific legislation and regulatory frameworks, consumer protection, and a solid financial infrastructure. In our opinion, any microfinance regulatory framework should ideally define and cover all microfinance activities (direct loans, mortgages, deposits, microinsurance, etc.), including the relevant specific risks and business practice, especially in markets where modern banking systems have not been developed yet. An accurate definition of the sector would certainly contribute to a more timely and proactive supervision (Leone and Porretta 2014).

Notes

1. Although the chapter was jointly prepared by the authors, Sections 5.2, 5.3 and 5.6 were written by Cristiana Turchetti, Sections 5.4 and 5.5 were written by Matteo Re, Sections 5.1, 5.7 and 5.8 were written by Pasqualina Porretta, Section 5.9 by Giovanni Nicola Pes and Riccardo Graziano.
2. www.eipa.nl/.
3. Marzinotto B. (2011) "A European Fund for Economic Revival in Crisis Countries". Retrieved at: http://www.bruegel.org/fileadmin/bruegel_files/Publications/Policy_Contributions/2011/PC_A_european_fund_for_Economic_revival_in_crisis_countries_BM.pdf, date accessed 9 May 2014. (BE) Belgium, (BG) Bulgaria, (CZ) Czech Republic, (DK) Denmark, (DE) Germany, (EE) Estonia, (IE) Ireland, (EL) Greece, (ES) Spain, (FR) France, (IT) Italy, (CY) Cyprus, (LV) Latvia, (LT) Lithuania, (LU) Luxembourg, (HU) Hungary, (MT) Malta, (NL) Netherlands, (AT) Austria, (PL) Poland, (PT) Portugal, (RO) Romania, (SI) Slovenia, (SK) Slovakia, (FI) Finland, (SE) Sweden, (UK) United Kingdom.
4. Ederveen S., Groot H. L. F. and Nahuis R. (2006) "Fertile soil for structural funds? A panel data analysis of the conditional effectiveness of European cohesion policy", *Kyklosvol*, 59(1), 17–42, 02.
5. Edquist C. (2008) "Identification of Policy Problems in Systems of Innovation through Diagnostic Analysis", http://www.cas.uio.no/research/0708innovation/Edquist_100608.pdf, date accessed 8 May 2014.
6. Directorate-General for Regional and Urban Policy. The mission of the European Commission's Directorate General (DG) for Regional and Urban Policy is to strengthen economic, social and territorial cohesion by reducing disparities between the levels of development of regions and countries of the European Union. In this way the policy contributes positively to the overall economic performance of the EU.
7. Art. 9: In order to contribute to the Union strategy for smart, sustainable and inclusive growth as well as the fund-specific missions pursuant to their treaty-based objectives, including economic, social and territorial cohesion, each ESI fund shall support the following thematic objectives: (1) strengthening research, technological development and innovation; (2) enhancing access to, and use and quality of, ICT; (3) enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF); (4) supporting the shift towards a low-carbon economy in all sectors; (5) promoting climate change adaptation, risk prevention and management; (6) preserving and protecting the environment and promoting resource efficiency; (7) promoting sustainable transport and removing bottlenecks in key network infrastructures; (8) promoting sustainable and quality employment and supporting labour mobility; (9) promoting social inclusion, combating poverty and any discrimination; (10) investing in education, training and vocational training for skills and lifelong learning; (11) enhancing institutional capacity of public authorities and stakeholders and efficient public administration. Thematic objectives shall be translated into priorities that are specific to each of the ESI funds and are set out in the fund-specific rules.

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9. European Commission (2012), http://csdle.lex.unict.it/Archive/LW/Data%20reports%20and%20studies/Reports%20and%20%20communication%20from%20EU%20Commission/20120320-103800_SWD-61_2012_annexes_enpdf.pdf, accessed 9 May 2014.
10. Herta Tödttling-Schönhofer (ÖIR) Pat Colgan (ÖIR) Haris Martinos (LRDP) Begona Sanches (IDOM): “A Study of the Efficiency of the Implementation Methods for Structural Funds”. Retrieved at: http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/3cr/efficiency_methods_sum.pdf.
11. Lang J., Naschold F. and Reissert B. (1998) Reforming the implementation of European structural funds: a next development step, *WZB Discussion Paper*, No. FS II 98–202.
12. For more information see Ziya Oni, “The logic of the developmental state”.
13. With a few exceptions (Germany and Poland), several member states are still characterised by GDP figures and employment rates lower than the pre-crisis levels as well as unprecedented sovereign debt levels and reduced household incomes. Cohesion programmes for the programming period 2014–2020 shall, therefore, particularly emphasise the incentives for growth.



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