
Employment of Marginalized groups

Employment and self-employment programs

OPEN SOCIETY INSTITUTE
ECONOMIC AND BUSINESS DEVELOPMENT PROGRAM / SEDF

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Entrepreneurship Among Roma

- Part I
 - Finance facilities supporting Roma
 - Compare the programs
- Part II
 - What it takes to run a business compare to above.
- Part III
 - Alternative

Questions

- How to start?
- What is the role of the EU or national Governments?
- How can I become wealthy?

Investments

Organization / Country	Est.	Support partner	Size MM EUR/ avg loan size EUR	% Roma	Strategy
Mikrofond, BG	1999	REDC	4 / 3,000	15%	Individual / Rural
CDE / Goodbee, RO	1999	SELF / Group	17 / 7,000	10%	Group /Rural
Horizonti, MK	2003	Group	3 / 875	35%	Urban women groups
Mikrohitel,HU	2005	No support	0.800 / 8,000	4%	Individual / Rural
KIUT, HU	2010	SELF	< 0.300 / 2100	95%	Group/ Rural

Conclusion

- Provide support
 - Assist with access to market, funds management, motivation
 - **CHALLENGE:** financial support

- Customize for market *no standard*
 - Know the market, work with client grow slowly
 - **CHALLENGE:** Not sustainable .

- Create sustainable program
 - Diversify client base for all marginalized
 - Work with existing structures
 - Not poorest of the poor
 - **CHALLENGE:** getting people to work with each other

Need to do business

1. Make a product or service
2. **Sell the Product or service**
3. Manage money
4. Motivation, Motivation Motivation

Additional concept

- Focus to develop businesses in marginalized communities who create employment.
- NOT employment program
- Investment funds **FOR MEDIUM OR LARGER BUSINESSES**
- **RISK !!** “eggs in one basket” meaning all risk on limited number of companies.
- CONTINUED PERSONAL FACILITATION “bridge”

Questions

- How to start?
- What is the role of the EU or national Governments?
- How can I become wealthy?

Balance Sheet

ASSETS (things to make money)	Debt and equity (where the money came from)
Money / Cash savings Time (personal) Homes / Buildings Machines Automobile Phone TV	Short term Loans Long term loans =====
	Your own money Other peoples money

Part II

Economic Development
Programs for Roma: Examples

Key Beliefs

- Roma are entrepreneurial
- small enterprise is consistent with Roma way of life and their culture
- Roma = resource not an obstacle

Left Behind Development of

MSME's

■ Roma left out of self-employment

- Few Roma pursue self-employment

- e.g. Hungary

- 3.0% of Roma are officially self-employed vs. 18% of the general population unofficial much higher

- Little help/business services

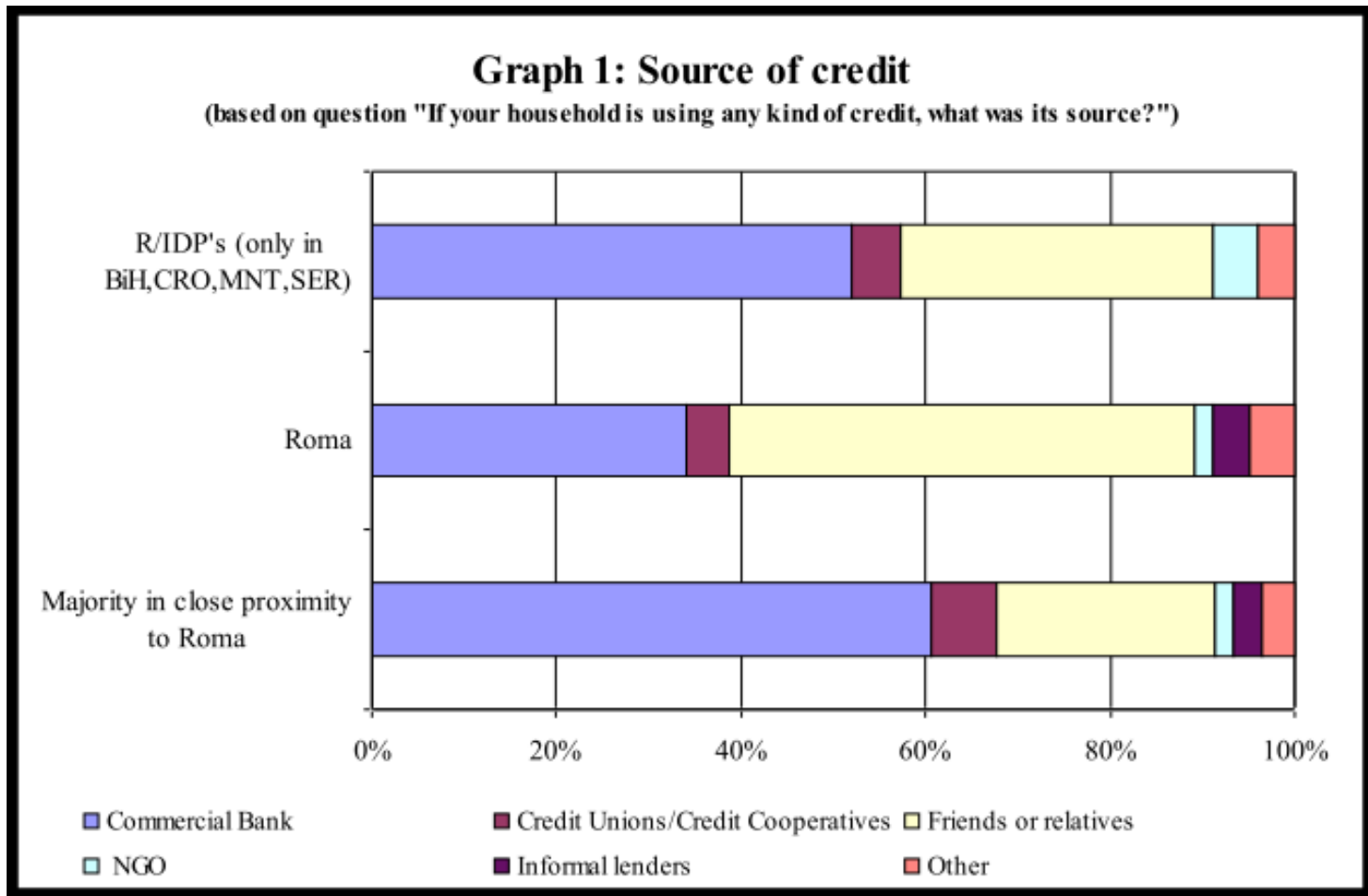
- Difficult access to formal credit and other business opportunities

- Little is known about Roma entrepreneurship

Access to Capital

- Financial institutions reject poor borrowers for numerous reasons
 - collateral,
 - education level,
 - business experience,
 - Discrimination.
- Banks – not servicing
- MFI best serve the tradition SME sector more affluent

Source of Credit (UNDP Survey)



OSI Supported Programs: What Works

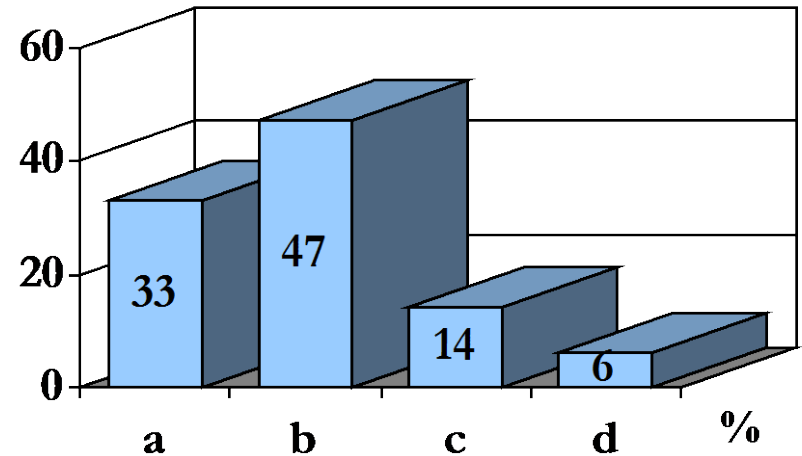
- Microfinance
 - Rural finance – Romania
 - Urban microcredit – Macedonia
 - Micro-lending pilot - Hungary
 - Microcredit in Roma ghettos - Bulgaria
- Asset building
 - Pilot initiative - Hungary, Slovakia
- Virtual Incubators
 - Sliven real incubator

Initial Findings from OSI Supported Programs

- Physical segregation an obstacle to entrepreneurship
- no systematic differences in delivery of business support require BUT design changes, customize for community
- Credit risk for Roma has shown to be the same as as non-Roma when done correctly.
- more expensive because
 - smaller loan amounts
 - require more follow-on / assistance
 - Know community
- Programs should not focus on Roma but include them

Roma Groups

- a) not educated, inactive, not motivated
- b) not educated, motivated, more or less active
- c) educated (but the not marketable), motivated, more or less active
- d) educated (more professions), motivated, active



Source: Autonomia Foundation Hungary

CDE Romania



Number of CDE local offices: 11

CDE Personnel: 70

Number of counties covered by the program: 27

Number of operational counties: 19



CDE Programs

- **Microfinance**
 - Rural Microfinance Program
 - Microfinance Program in Mining Areas
- **Business Development and Training**
 - SME training and consulting
 - Microenterprise Training for Women
 - Training in Cooperative Management

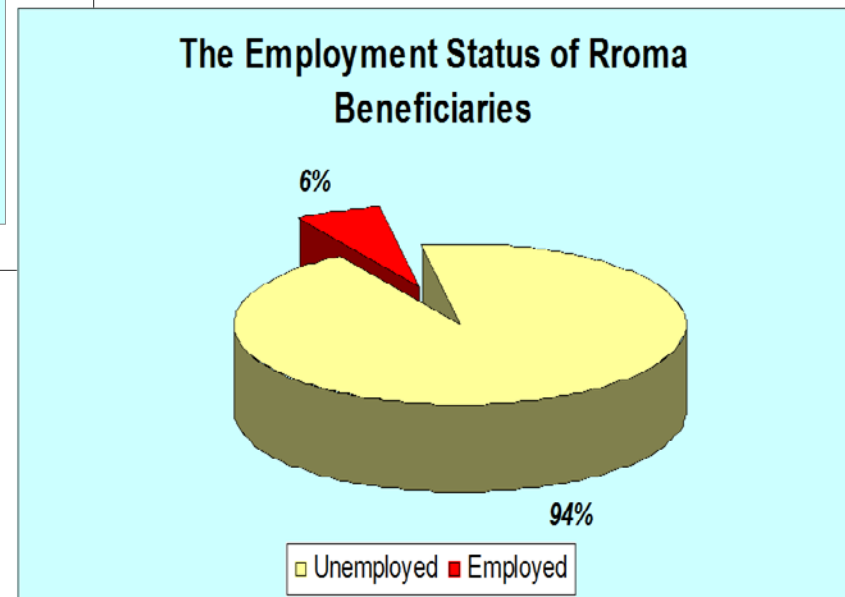
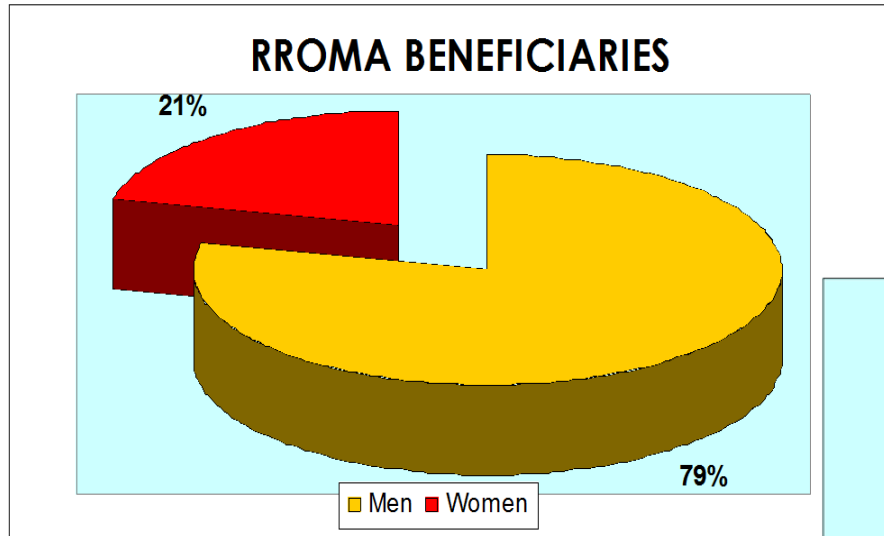
Rural Microfinance Program

Number of groups formed by CDE loan officers:	80
Number of micro-credits disbursed:	7.506
Average loan size:	\$1.500
Number of micro-credits used for cultivating cereals, vegetables and for animals' farms:	7.238
Number of micro-credits used for agriculture services:	220
Number of micro-credits used for trade with agriculture products:	36
Number of micro-credits used for processing units in rural areas:	12
Repayment rate:	100 %

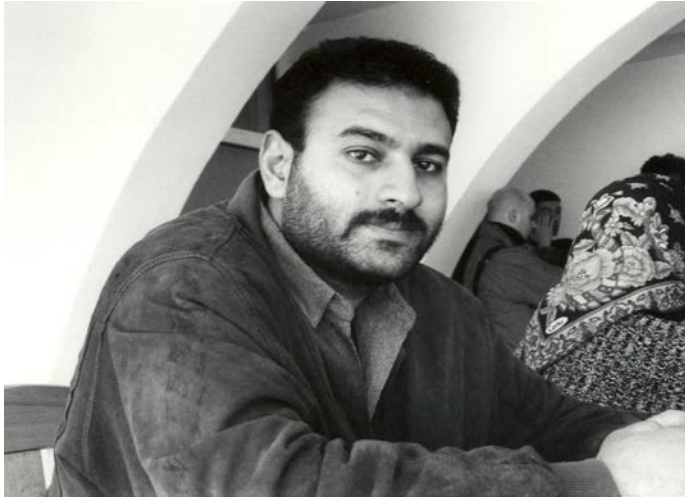
Microfinance for Roma

Number of groups formed by CDE loan officers:	32
Number of micro-credits disbursed:	550
Out of which: - Roma groups:	18
- Mixed groups:	15
Micro-credit average value:	600 USD
Number of micro-credits used for animal micro-farms:	310
Number of micro-credits used for orchards' maintenance:	80
Number of micro-credits used for trade with agriculture products:	160
Repayment rate:	100%

Roma Clients



CDE Clients



HORIZONTI - Macedonia

Microcredit Foundation



- Created as microfinance project of CRS/Macedonia in January 2000
- Poverty-focused microfinance program
- Operates in 7 branches and served around 3,000 clients (all women) active 1,500
- Main founders: CRS and Caritas Norway
- Total staff: 32 (15 Loan Officers)
- Group loans as primary product

Reaching the Roma

- Natural target for poverty-focused MFI' s
- Strong presence among the micro-entrepreneurs (small traders) in the markets in urban areas
- No access to other financial institution
- Huge demand for financial support
- Easy to access and outreach

Horizonti approach

- Unique on the market (no competition to serve this client niche)
- Group lending based on solidarity
- Short-term loans mainly for working capital
- Horizonti office located in Roma community
- Strong focus on pre-credit training and business and household assessment
- Respect their culture and tradition
- Pay special attention to build trust, respect and care between clients and MFI

Challenges to serve Roma

- Ability to hire the right loan officers
- Lack of education
- Lack of experience and familiarity with loans
- High attrition due to individual (life) circumstances
- Formalization of Roma businesses

Horizonti Roma clients



Mikrohitel - Hungary

- First private financial company
 - started 2005
 - joint venture between Autonomia Foundation and Business Basics Foundation
 - initial capitalization from OSI, additional support from UNDP
- Target clients: low income entrepreneurs and small businesses, including Roma
- Pilot lending:
 - group lending in two regions in Hungary

Local Business Development – Sliven, Bulgaria

- Combined approach to local economic development:
 - Regional Economic Development Center (REDC)
 - Small Business Incubator
 - Mikrofond EAD
 - Mikrofond Foundation

RECD – Sliven

- Started in 1998
- Small business and local economic development support center
- Co-funded by OSI and City of Sliven
- Acts as a catalyst for numerous local projects and a business service provider
 - initiated SME lending and microfinance in the region
 - developed business incubator
 - promoted ecologically sound development (e.g., facilitated new waste treatment facility)
 - facilitates community development activities

Community Development

- Based on the business development and microfinance activities
 - REDC using its prior experience and trust capital with the local community leads several community development initiatives
 - community planning meetings and strategy
 - developing resources/fund-raising
 - negotiating with the municipality and regional government

Business Incubator - Sliven



Business Incubator

- Affordable space for start up and growing companies
- Managerial services.
- Business Support Network
- Shared services
- Manufacturer Network





THE FIRST MICROFINANCE NGO IN BULGARIA TRANSFORMED INTO COMMERCIAL LENDING COMPANY

- Outstanding portfolio 3,000,000 EURO
- Number of loans outstanding: 1,600
- Number of loans disbursed (2005): 3,000
- Cumulative Roma clients 550
- Number of Roma clients: 260

Outreach



Results

- Breakdown of clients by type of business:
 - ❑ Wholesale 9%
 - ❑ Retail 26%
 - ❑ Production 15%
 - ❑ Field Farming 9%
 - ❑ Stock-breeding 8%
 - ❑ Services 22%
 - ❑ Others 11%
- Over **350 start-up** businesses funded
- 40% of clients are women



Mikrofond EAD

- Strategy to lending in Roma ghetto in Sliven
 - entry through trusted clients who are successful businesses
 - Mikrofond clients in the ghetto provide referral to other clients and serve as support network for new borrowers
 - Clients are creating groups or small scale network in the community
 - 75 Roma loans disbursed in Sliven, 250 total Roma clients of Mikrofond throughout Bulgaria, 98% on time repayment rate in 2005

Asset Building Program Pilot - Hungary, Slovakia

- Asset-ownership
 - home, business, education
- leads to
 - household security, optimism, self-worth, community, risk-taking & entrepreneurship
- Objectives and Principles
 - low income attain a reasonable financial goal
 - Match savings over period
 - financial education and coaching throughout the process to provide on-going support and problem solving

Design

- Matching Scheme

- 1:1 and 2:1 (3:1)
- Participant defines asset goal
- participant reaches goal, funds are released to a vendor to purchase asset

- Financial Education

- During savings period: household budgeting, business management & home purchase guidance.

- Individual Support and Coaching

- Financial emergencies, family issues and motivation

Incubation Program

Pilot - Hungary (Autonomia Foundation)

- Resources
 - Equipment or space ASSET

- leads to
 - Improved quality of work = more income and more competitive

- Objectives and Principles
 - Provide “tools” to compete
 - Slowly learn via mentor
 - Local resource & meeting point = social development

Design

- Traditional space
 - Large building
 - Large Government participation
 - All services provided (e.g. accounting, legal sales pricing etc.)
- Virtual Incubator
 - Tools stored
 - Person rents with “lessons”
 - Provides advice on pricing and “business”
- DETERMINE NEED

Part III

Initial Lessons Learned

Common features

- Various approaches and program designs appropriate to local markets and environment but similar principles:
 - focus on local economic development
 - commitment (through business policy) to lower end markets and business development
 - inclusion as a guiding rule (not Roma only)
 - a combination of small but increasing financial and business assistance
 - understand local Roma community and investment in local trust relations
-

Initial Learning

- Entrepreneurship viable option & proven tool that can be deployed to Roma communities
- Physical segregation obstacle - entrepreneurship
- Higher risk more costly
 - Hard to access /understand and potentially
 - higher risk more vulnerable, poverty and segregation
- Roma borrowers are able and willing to repay **APPROPRIATE** loans

Reaching out to Roma

■ Opportunities:

- ❑ Roma are entrepreneurial and independent (traditional way of life)
- ❑ no options = “loyal” customers
- ❑ Support organizations in place

■ Challenges:

- ❑ difficult to understand & develop trust
- ❑ Low hope and short sighted
- ❑ loan sizes smaller – cost/sustainability issues
- ❑ Cost of program learning high

Informal vs. Formal

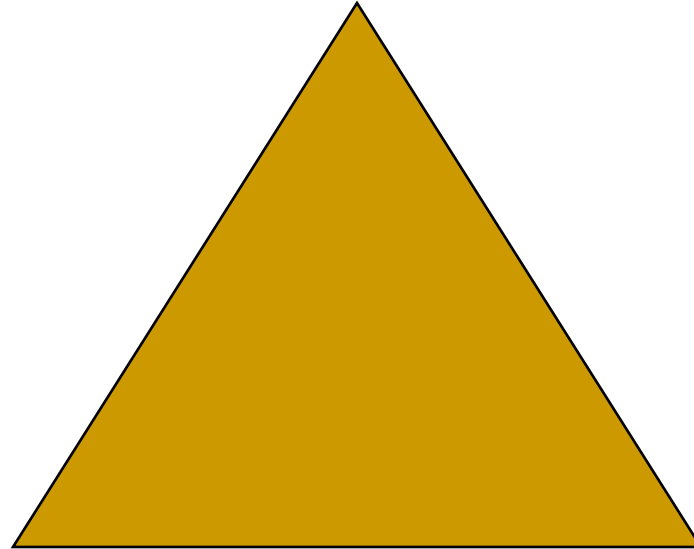
**Formality is luxury the
poor cannot afford**

Conclusions

- Entrepreneurship presents an untapped potential for employment generation among Roma
- Time and money required to learn unique groups
- Need focused strategy for technical support and access to capital and market opportunities
 - Community development
 - financial intermediaries provide niche services
- Initial asset building schemes may be necessary for the poor as a stepping stone into micro-enterprise

Elements of Employment

Environment



Assets

- Skills
- Tools
- Long Term employment
- Social networks
- Capital

Person

- Housing
- Life skills
- Motivation
- Transitional employment
- Monitoring / counseling

Marginalized Groups

