Commissioner Andor, ladies and gentlemen,

A small loan can make a huge difference in people's lives. It can help dreams come true. Families rise out of poverty. Neighbourhoods develop. But loans alone are not enough. This is one of the lessons learned in microfinance over the past fifteen years.

I am thrilled that we have gathered here today in this former stock exchange. It was designed over a century ago to accommodate all forms of trade, including copper, coffee and cotton. But today we are here to trade experiences and ideas. Our goal is to help develop strong entrepreneurs through sustainable microfinance in each of our respective countries.

I stand before you in a dual capacity. As a member of the Dutch Council on Microfinance, I have been involved in setting up a coherent microfinance system in the Netherlands. And as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, I promote universal access to financial services. These range from savings and insurance to credits for both individuals and small and medium-sized enterprises.

A great deal has been achieved worldwide. Institutions are maturing and financial inclusion is progressing. But a lot remains to be done, in Europe and elsewhere, including in the area of non-financial business support services.

Today I would like to address two issues.

First, why is coaching so important and how can we organise business development services in a sustainable way?

And second, can and should we all embrace a common approach to microfinance across Europe?

Let me start by talking about my experiences in the Netherlands. Four years ago, the consultancy firm McKinsey estimated that a national microfinance system could allow an extra ten thousand people to start a business every year. Half of them would need coaching only. The other half, coaching and a loan. Coaches assist in writing a business plan or filling out a loan application. They can help with setting up financial administration or with the marketing side.

In other words, we started out with the assumption that coaching was as important as loans, maybe even more so.

That was the first principle on which we based the Dutch microfinance system, defining it as both financing and coaching.

The second principle was that the financial part had to be centrally organized for it to be sustainable and scalable.

So, in early 2009, a central organisation called Qredits - with a Q - was set up to grant small loans. The Dutch Ministry of Economic Affairs provided the initial funding. Several major Dutch banks followed suit and, recently, so did the European Investment Fund. At this point, Qredits has processed over 7,000 applications and granted over 1,500 loans. Although it is too early to draw definite conclusions, the default rate is low: only two per cent a
year.

For coaching, we opted for a decentralised approach. Why? Because here knowledge of local needs and conditions is key. And so is proximity to clients.

The Stichting Eigenbaas - in English: My Own Boss Foundation - now runs a network of 42 autonomous microfinance support centres all over the Netherlands. So far, the results are very encouraging. Coaching seems to substantially increase entrepreneurs' chances of success, even though it's a struggle to keep centres like these afloat.

A year ago I visited a support centre in Utrecht [Zwind]. It proudly claimed that nine out of every ten of their clients had stayed in business throughout the centre's six years in existence. A striking result when you consider that on average only six out of every ten Dutch businesses survive beyond their second year (1).

In short, coaching pays off. But how do we pay for it? How do we set up coaching in a way that is financially sustainable? We haven't found the answers yet. And from what I hear from other European countries, we are not alone.

A recent study revealed that most Dutch entrepreneurs are convinced they need coaching. But only after they have tried it. Very few are convinced beforehand.

A friend of mine once consulted me about starting her own business. She had a great product, enough capital and a good education. But her business plan? How much did she need to sell to cover expenses? Was there a market for her product? She had no idea.

People like my friend cannot be forced to take on a coach. They need to be convinced. But how? And if my friend had applied for a small loan, should coaching have been a condition? That's the way Qredits works. Coaching is a condition for most of its loans. Its programmes are tailored to the needs of every individual client. I think that we need to find an effective mix of incentives to attract as many new entrepreneurs as we can into coaching.

That leaves us with one other major issue: who should pay the coaches? Should we aim for a mix of private and public funding? How much should entrepreneurs pay themselves? We could also allow them to pay back gradually, as their businesses develop. In this respect, the hope is that the European Social Fund will be able to devote more attention to training and coaching as of 2014.

Something we should also be discussing is how to reduce costs for coaching. For instance by relying more on volunteers, our experience is that they seem to do as good a job as paid coaches. I have also seen very promising online coaching models that could reduce costs even further. In any case, a lot still needs to be thought through here.

Ladies and gentlemen,
I have travelled widely over the past seven years to discuss microfinance and promote financial inclusion. I have seen for myself how much we can inspire each other and learn from each other. But it's not a question of 'one size fits all'. You need a different business model for each country - sometimes even for different parts of the same country. In Peru, what works in Lima won't work in the Andes.

But isn't this also true of the European Union? Can we compare market conditions in Romania to those in the UK or Belgium? In particular, are we right to limit microcredits to 25,000 euros across Europe?

In the Netherlands, we have raised the ceiling to 35,000 euros. Some feared that big loans would be granted more readily than small ones, since small loans are more labour intensive. We have not seen that happen. Of all the loans Qredits has granted so far, 77 per cent were smaller than 25,000 euros.

At the same time, a large number of applications were rejected because they were for loans larger than 35,000
euros. According to Qredits, this suggests a need for larger credits among the microfinance target group. So a discussion about clients’ needs, the size of loans and maximum limits seems warranted.

I think that we should also be careful not to build silos. Should we really put micro, small and medium-sized enterprises into separate categories? Is it right that entrepreneurs have to change financial service providers every time they outgrow a category? Or should the services grow with the clients? What kind of partnerships should we have with the different banks and financial service providers?

Ladies and gentlemen,

As you can see, seven years of experience have left me with many questions. I commend the European Microfinance Network and the organisers of this year’s annual conference for raising the crucial issues of financial sustainability and coaching.

It is my firm conviction that we will find the best answers to our questions by sharing our experiences and comparing business models. And remembering that it isn’t a question of ‘one size fits all’.

I wish you all an inspiring conference and I am looking forward to meeting the entrepreneurs present here. In the end of the day, they are the reason why we have gathered here today.

Thank you.

(1) Source: EIM.