

# CEEI BURGOS RISK ASSESSMENT METHODOLOGY

## CEEI Burgos

### Objective of Good Practice:

Develop a risk assessment methodology that allows the disbursement of business microloans without asking for guarantees/collaterals.

### Timeframe of Good Practice:

2013 – Ongoing

### Keywords:

Loan Assessment Technology

## Institutional profile

CEEI Burgos is an Incubator and Business Centre that provides assistance by supporting and implementing business projects emerging from the entrepreneurial spirit of the citizens of Burgos, whether they involve companies or self-employed people. It was founded in 1994 as a tool that specializes in local development under the model, quality criteria and sponsorship of the European Commission, and promoted by regional and local organisations and institutions with a strong commitment to boost the social and economic development of Burgos.

## Type of Organization

Business Incubator

## Country

Spain

## Products & Services provided

- **Financial:** Business microloans.
- **Non-financial:** Entrepreneurship training, mentoring.

## Gross Loan Portfolio

EUR 1,097,354.88  
(As of June 2017)

## Number of clients

59  
(As of June 2017)

## Target Audience

Rural population, Urban Population.

## Organization Website

<http://www.ceeiburgos.es/>

## Overview of Good Practice

In the framework of a partnership with the Province of Burgos, CEEI offers business microcredit to micro entrepreneurs and small enterprises mainly located in rural areas. Following its involvement in an Interreg project called DIFASS, CEEI Burgos developed an ad hoc risk assessment methodology. Implemented and tested for over 5 years, the methodology allows CEEI Burgos to serve rural entrepreneurs without asking collateral, while maintaining high quality portfolio with 98,30% of survival rate of the projects funded.

Business microloans offered by CEEI Burgos are up to EUR 25,000 (including EUR 5,000 of working capital) and have a 4 year maximum duration including an optional grace period of 6 months. The interest rates range from 1,5% to 3% with no other fees charged and no guarantee is required. On the one hand, this last feature supports the financial inclusion of rural microenterprises, but on the other, if it is not backed by a sound risk assessment methodology, it can put the sustainability of the microcredit institution at stake due to defaults. In order to maintain high portfolio quality, CEEI Burgos developed a risk assessment methodology that follows a comprehensive approach based on the combination of a wide range of evaluation techniques (including risk ratio, structural operational analysis, credit officer assessment and negative credit record). The methodology has been tested and fine-tuned on the specific features of rural entrepreneurs by taking the characteristics of the local context into consideration.

## Innovativeness

The loan assessment approach is based exclusively on both the project and the applicant themselves, excluding external guarantees/collaterals.

It targets the needs of rural population and financially excluded entrepreneurs while maintaining a PAR30 of 1,7% and shows outstanding results with regard to the survival of the businesses financed.

## Outcomes

Since its inception in January 2013 until June 2017, 120 applications were received of which 59 were approved for a total amount of EUR 1,097,354. The survival rate of the financed projects is 98,30%. Furthermore, 89 jobs were created and 81 were consolidated.

All of the financed projects were for microenterprises that were from the approved projects. 41,53% of them were start-ups and 58,18% were other types of beneficiaries such as self-employed. Just 10% of the loans are requested for working capital; the rest fund fixed assets. The incredibly low number for the non-performing portfolio (1,7% as of June 2017) stresses the efficiency of the assessment methodology developed.

## Efficiency and Sustainability

This product has maintained itself in the long run since it addresses a specific market niche. The practices are regularly reviewed and there is an intention to include every economic sector to attract and retain young people in rural areas. Entrepreneurs are also welcome to participate in the business incubator when they need further advice or guidance. This close relationship with the beneficiary is a main factor in the success of the program. Sound risk management ensures the long-term sustainability of the institution and the reuse of the capital reimbursed to disburse new loans.

## Lessons Learned

This practice highlights the feasibility of collaborating with the Public Administration in an efficient way and furthermore, the importance of methodological approach.

## In Practice: Success Story

Sonia Para is the Commercial Director of Pinacas a family business founded in 1994 that now is administered by its fourth generation and is located in the industrial park of Quintanar de la Sierra in Burgos. The business works in the mining of natural stone from quarries and their elaboration to use it in buildings, facades, pavements or renovation. The Para family have been beneficiaries of the CEEI Burgos programme.

### [Sonia Para – Pinacas – Quintanar de la Sierra](#)

Javier González is the manager of the hostel "Rosalia", a new business founded in the 21<sup>st</sup> of March 2016. This hostel is targeted towards the pilgrims of The Way of Saint James and it is located in 500 years old house where a king used to live. They receive the pilgrims and offer basic instalments for them to rest.

Mr. González has been beneficiary of the CEEI Burgos programme.

### [Javier González – Albergue Rosalia – Castrojeriz](#)