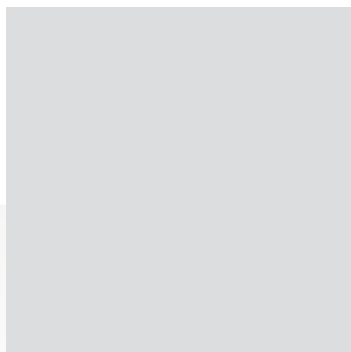


Partnerships between microfinance and the mainstream financial sector to reach the underserved



The experiences
of the 2015 finalists
and 2014 winner



FONDAZIONE GIORDANO DELL'AMORE

Giordano Dell'Amore
Microfinance
Good Practices
Europe Award 2015



Partnerships between microfinance and the mainstream financial sector to reach the underserved

The experiences of the 2015 finalists and 2014 winner

Giordano Dell'Amore Microfinance
Good Practices Europe Award 2015



Partnerships between microfinance and the mainstream financial sector to reach the underserved

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Foreword

Giordano Dell'Amore Foundation and the European Microfinance Network (EMN) are delighted to promote the seventh edition of the "Giordano Dell'Amore Microfinance Good Practices Europe Award", in association with the 12th EMN Annual Conference.

This Award is aimed at the European institutions that are committed to fostering financial inclusion and access to the mainstream financial sector for disadvantaged people, through the direct or indirect implementation of financial and non-financial services.

As many European countries are experiencing significant economic and social challenges, microfinance needs to show itself as an instrument for growth, employment and social cohesion. In particular, this new edition of the Award emphasises the opportunities that can originate from partnerships between microfinance institutions and banks or alternative financial institutions in order to reach more people who are excluded from the mainstream financial sector and so as to increase access to quality financial services.

The Award has become a tradition among European microfinance institutions, but it is constantly updating itself. Considering the continuous evolution of the microfinance sector, this year the Award Secretariat decided to redefine the application and selection processes in order to include an analysis of the social and environmental performance of the applicant institutions.

The present publication, now in an improved and more technical format, offers a description of the experiences of the 2015 Award finalist institutions, with the aim of spreading innovative ideas and effective models for financial inclusion among the European audience. We are also pleased to announce that, in order to give more prominence to these interesting practices, the finalist institutions will, for the first time, have the opportunity to discuss their experience during the European Microfinance Network Annual Conference.

This publication also includes an update on the activities of Adie, the 2014 winner. This includes an account of the improvements made and the new goals the institution could reach thanks to the prize conferred; special attention has also been paid to the impact on its beneficiaries.

In line with their mission and strategic objectives, Giordano Dell'Amore Foundation and the European Microfinance Network host the Award so as to encourage European microfinance practitioners to share good and transferable practices, to promote and spread those practices to other microfinance actors in Europe and, finally, to increase understanding of the importance of microfinance.

With 84 members in 22 countries, EMN is the leading network in the European Union supporting the development of microfinance as a tool to prevent social exclusion and enhance economic development. Giordano Dell'Amore Foundation is an Italian member of the network and is strongly committed to facilitating national actors and offering them its technical support in order to reinforce the microfinance sector and improve outreach and the quality of services delivered.

We would also like to take this opportunity to thank Cariplo Foundation for its contributions, and the Award Committee for its technical expertise, which has helped make this Award a success.

Federico Manzoni, President FGDA



Jorge Ramirez, General Manager EMN



Palmarès



ACAF - Association for Self Financed Communities Spain

Self Financed Communities (SFC): an innovative self-financial solution for low-income people.

Selected for its innovative approach using Self Financed Communities in Spain.



Dutch Microcredit Foundation-Qredits The Netherlands

A new sustainable approach to microfinance. Blend of traditional banking and sophisticated IT support.

Selected for its innovative approach oriented to sustainability; based mainly on the use of IT in order to automate processes, maximize efficiency and transparency and target beneficiaries.



Microcredit Foundation Horizonti Rep. of Macedonia

Partnership approach for providing sustainable housing microfinance to marginalized and vulnerable groups.

Selected for its innovative approach based on a specialized partnership with Habitat Macedonia in order to provide sustainable housing microfinance to marginalized and vulnerable groups.

2009

2010

2011

It was also organised the **Italy Award**, then merged with the Europe Award. The winner was:



Selected for its focus on institutional sustainability and private funding approach.



KosInvest
Kosovo

The introduction of a new product sub-line brought productivity and loan affordability to the rural poor.

Selected for its innovative product, very responsive to the needs of its rural clientele, that consists of a tripartite agreement (MFI, rural entrepreneur and supplier) for the purchase of livestock.



Savings House
"Moznosti"
Rep. of Macedonia

"Delightful" loan for non-documented micro business.

Selected for its innovative loan product designed specifically to offer financial services to micro businessmen and women who do not have any documentation for their business.



ADIE - Association
pour le Droit à
l'Initiative Économique
France

Adie Social Microfranchising Initiative

Selected for its innovative program which provides turnkey business models to low-income entrepreneurs who lack a viable business project idea or do not want to start their business alone.

2012

2013

2014

The Award

Since 2009, the Giordano Dell'Amore Foundation has collaborated with the European Microfinance Network (EMN) to promote the "*Giordano Dell'Amore Microfinance Good Practices Europe Award*". There are **three main objectives** of this Award:

- To **increase the European public's awareness** of the importance of microfinance as a tool to foster the economic initiative of people who are excluded from the traditional financial system;
- To **encourage the exchanging of experiences** and the sharing of thoughts and in-depth analyses within the microfinance community in order to raise the level of professionalism from the actors involved and to favour a growth path that reflects innovation, sustainability and the social impact of microfinance interventions;
- To highlight and **spread the best experiences in microfinance** that combine innovation and sustainability, while rewarding the ability to systematise the principal features of the intervention model so as to allow its replication in different contexts.

Topic 2015

In accordance with the 12th EMN Annual Conference 2015 theme, the topic of the Giordano Dell'Amore Microfinance Good Practices Europe Award 2015 is "**Partnerships between microfinance and the mainstream financial sector to reach the underserved**".

Although Europe is characterised by a dense network of banks (counting over 8,300 institutions), the financial crisis has demonstrated significant weaknesses in the system. Microfinance provided by **non-banking financial institutions** has, over the last twenty years, emerged as and grown into a real alternative for thousands of micro-entrepreneurs who have been refused access to credit by mainstream banks.

Collaboration between MFIs and banks has been a key driver of growth for many microfinance actors. These partnerships have often been established out of *necessity*, due to the regulatory restraints that prevent MFIs from providing services directly. However, collaboration has frequently provided an *opportunity* to identify mutually beneficial arrangements for both parties.

As the microfinance sector becomes increasingly visible and mature, relationships between microfinance institutions and **traditional financial institutions** (for example, banks) should evolve into more fruitful, diversified and stable cooperation in order to enhance the collaboration and cohesion between both sectors in reaching out to the undeserved.

However, within the mainstream financial sector banks are not the only institutions available for possible partnership. Nowadays, alliances with **alternative financial institutions** could also be positive for the continued development of the microfinance sector in order to improve and diversify the range of services (savings, remittances, microinsurance, etc.).

Based on this, the applicants of the 2015 edition of the Award had to present examples of an existing partnership between a microfinance institution and a bank or other financial institution whose aim is reaching people who are excluded and/or have limited access to mainstream financial services.

Requirements

The Award is open to **any European institution or organisation** directly or indirectly involved, for at least 12 months prior to the date of application, in the fulfilment of **financial inclusion** of excluded people or people with limited access to mainstream financial services in the European Union or EFTA countries.

For the purpose of this competition:

- The candidate must have both its *operational base* and *headquarters* in a Member State of the European Union, or in a Candidate or Potential Candidate country, or in an EFTA country. It is not compulsory that the candidate's headquarters and operational base be in the same European country.
- The candidate can be either **directly involved** (*first level institution*) or **indirectly involved** (*second/third level institution or network*) in the financial inclusion of excluded people or people with limited access to mainstream financial services. The latter can apply only if the candidate's grass-roots members are directly involved. Consultancy agencies and research institutes are not allowed to apply for the Award.
- The candidate must provide **financial services** and/or *strictly related non-financial services* to excluded people or people with limited access to mainstream financial services.
- The candidate must have been operative for at least 12 full months prior to the date of application.

Applicants should highlight four main features of their initiative, as follows:

- **Innovation**, namely how the partnership represents a transformation for the microfinance industry and/or for the institution itself in terms of actors involved, products, services, approach, target, and technologies;
- **Sustainability**, namely how the partnership achieves and monitors financial sustainability or how the institution is applying appropriate strategies in order to ensure future sustainability;
- **Impact**, namely how the initiative has improved the life and well-being of poor and marginalised beneficiaries, assessing this impact through quantifiable results;
- **Replicability**, namely how the initiative can be adopted by other providers or in other contexts to solve similar problems.

Considering their growing importance and recognition in the global microfinance sector, candidates were asked, for the first time this year, to detail their social and environmental performance, replying to questions based on international standards.

As regards **social performance**, applications should contain information about how the institution defines and monitors social goals; ensures board, management and employee commitment to social goals; meets a client's needs and preferences; responsibly treats clients and employees; and balances financial and social performance.

As regards **environmental performance**, applicants have to describe their environmental policy; the actions implemented to reduce their internal ecological impact; the initiatives undertaken to tackle the environmental risk deriving from their clients' activities; the environmental financial and non-financial services offered.

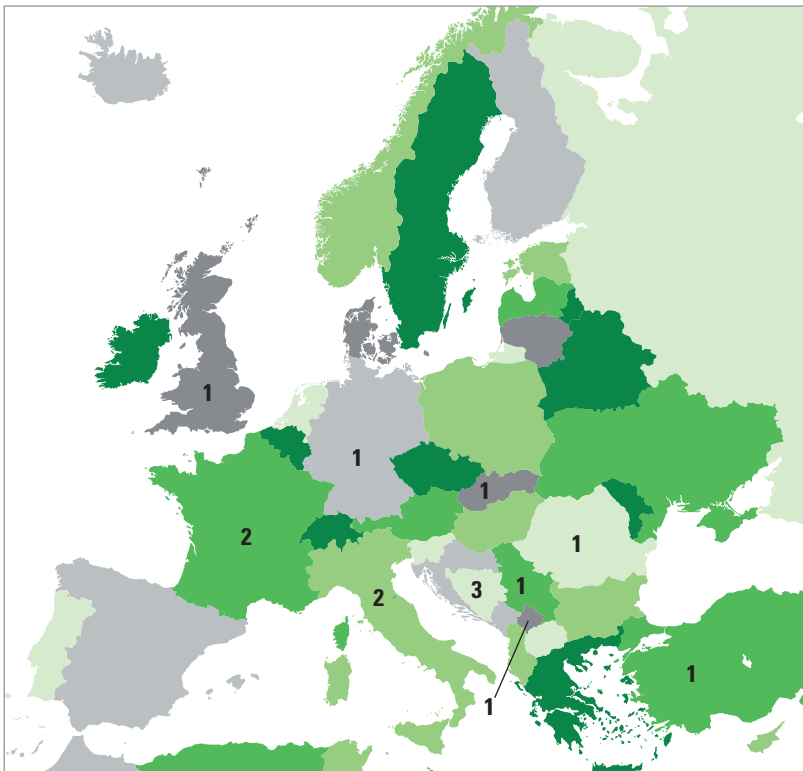


Award Ceremony 2012

Candidates

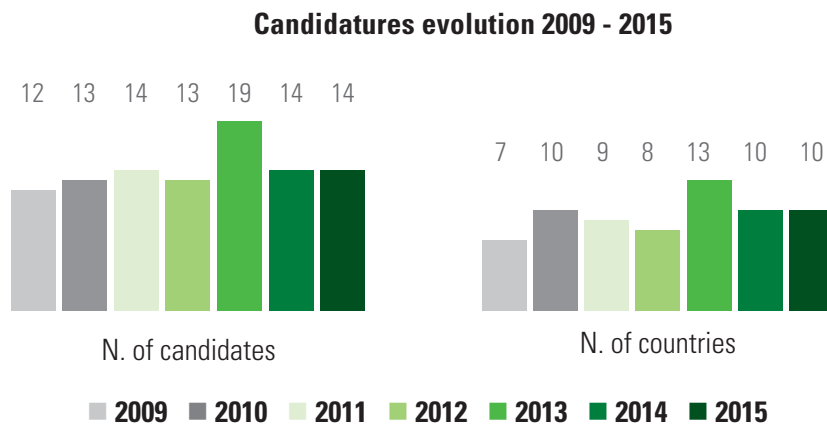
Fourteen institutions operating in the microfinance and financial inclusion sector in **ten European countries** applied for the 2015 edition of the Award. The following table lists the candidate organisations and their country of origin.

Country	Organisation
Bosnia and Herzegovina	Mikrokreditna Fondacija LOK MKF "Micro - Credit Office" Partner Microcredit Foundation
France	Créa-Sol Initiative France
Germany	Deutsches Mikrofinanz Institut e.V. (DMI)
Italy	Fare Lavoro Fondazione Welfare Ambrosiano (FWA)
Republic of Kosovo	KepTrust
Romania	Asociatia de Dezvoltare in Afacer (ADA)
Serbia	Agroinvest fond LLC Belgrade
Slovakia	Slovak Business Agency (SBA)
Turkey	Turkish Grameen Microfinance Program
United Kingdom	Scotcash



The map shows the number of applicants per country

Over the seven editions of the Award, there has been a fairly stable trend in terms of the number of applicant institutions, while there has been greater variability in terms of the number of countries the applicants come from. The graphic below shows the 2009-2015 candidature evolution.



Selection process

A Selection Committee, composed of national and international experts in the field of microfinance and financial inclusion, and with the support of the Award Secretariat, evaluated the initiatives proposed and selected three experiences that were considered to match the Award's topic and objectives.

The initiatives were assessed according to the following criteria:

- **Evaluation of the institution** in terms of good financial, social and environmental performance.
- **Evaluation of the initiative presented** in terms of *Congruence* with the Award topic, *Innovation*, *Sustainability*, *Impact* and *Replicability*, as described above.
- **Evaluation of the quality of the proposal** in terms of completeness, clearness, and transparency, which would allow for full assessment of the candidate's application.

These criteria were weighted as shown:

Evaluation of the institution	25%
Evaluation of the initiative presented	70%
Congruence	25%
Innovation	15%
Sustainability	10%
Impact	10%
Replicability	10%
Evaluation of the quality of the proposal	5%

Finalists 2015 and Award Ceremony

After intense discussion owing to the impressive quality of the applications received, the Selection Committee decided upon **three finalist** institutions for the 2015 edition of the Award:

- **Agroinvest fond LLC Belgrade**, from **Serbia**, with the proposal: “*Successful rural microfinance in Serbia through banking partnership*”, which was selected for its business model developed in a difficult environment and based on an effective partnership to reach good operational and financial results;
- **Créa-Sol**, from **France**, with the proposal “*Co-financing projects with mainstream banks*”, which was selected for its effective partnership with private banks and the public sector to facilitate access to financial resources for excluded microenterprises leveraging its own resources and sharing responsibility on risks; and,
- **Scotcash**, from the **United Kingdom**, with the proposal “*Financial inclusion in the community*”, which was selected for its customised and holistic approach to the low-income population in order to enable their access to a whole array of financial and non-financial services.

The Selection Committee believes that each of the three selected experiences offers an interesting approach and inspiring ideas that could be transferable to other situations.

In addition to this publication, Giordano Dell’Amore Foundation and the European Microfinance Network have designed a new initiative with the aim of relaying the finalists’ experiences to a wider public. This year, for the first time, the three finalist institutions will discuss their experiences during the **plenary session** “How should we cooperate? Lessons learnt from the field” at the 12th *EMN Annual Conference*. After this session, the **Award Ceremony** will take place to announce the winner selected by the Award Committee.

The Award winner will receive a prize of **€50,000** to be reinvested in the development and implementation of new projects in European countries, or to go towards the core costs of existing services.



Award Ceremony 2013

2014 Winner

This section presents an account of the activities carried out by last year's winner of the *Giordano Dell'Amore Microfinance Good Practices Europe Award*.

The French microfinance institution **ADIE - Association pour le Droit à l'Initiative Économique** explains what has been achieved thanks to the prize, and talks of the impact of the Award on its beneficiaries.

ADIE's proposal, "Adie Social Microfranchising Initiative", was selected for its innovative program which provides turnkey business models to low-income entrepreneurs who lack a viable business project idea or do not want to start their business alone.



ADIE

Association pour le Droit à l'Initiative Économique

France

General information

Maria Nowak created Adie in 1989, adapting the Grameen Bank model of Professor Muhammad Yunus to the context of an industrialised country. Adie was the first microcredit institution in France and Europe.

Adie's mission is to help people excluded from the banking system create small businesses. Adie helps over 10,000 **low-income microentrepreneurs** every year, which represents 200 self-created jobs per week. Adie's target clients are mainly unemployed workers, welfare benefits recipients, and those individuals with a low educational level.

Adie has a **dense branch network in France** (metropolitan and overseas), with 120 branches and 246 contact offices. Adie credit officers serve as the microentrepreneurs' advisers and primary contacts. They manage the relationship with Adie clients throughout the business creation process. Adie clients are supported by volunteers who provide coaching and business development services and/or act as credit committee members. This structure fosters **close contacts with the clients** and enables the delivery of high quality services. It also promotes the establishment of a trusting relationship between microentrepreneurs and their credit officers.

Adie offers microentrepreneurs a wide range of financial and non-financial services:

- **Financial products and services:** loans up to €10,000, "start-up grants" funded by the French government or local authorities, non-interest-bearing subordinated loans, microinsurance products; and,
- **Non-financial services** provided by Adie staff and volunteers: face-to-face business development services; remote support by phone from *Adie Conseil Info*, a business counselling telephone platform; and online business services through Adie website.

The initiative awarded

The Adie Social Microfranchising initiative (ASM), launched in 2009, comes from the fact that some people want to create their own business but lack a viable idea or are reluctant to start on their own. ASM was designed to help them by applying the concept of **franchising** to very small businesses. Adie has created a **dedicated incubator** in charge of identifying replicable business concepts and appropriate business partners (social entrepreneurs or large companies), setting up pilots, and developing microfranchise networks. A **dedicated investment fund**, AMSI (*Adie Microfranchise Solidaire Investissement*) participates in the microfranchisor's social capital.

At the local level, microfranchisees receive loans and business development services by Adie credit officers; they also benefit from a trademark, know-how, shared services and assistance provided by the microfranchisor in exchange for a limited initial investment and small royalties.

The initiative represents an innovative solution to **overcome start-up obstacles** for microentrepreneurs (e.g. complex French legislation and regulatory framework) and provides an innovative way to **strengthen small business sustainability**. The program has already created about 140 self-employed jobs in the first two networks and the overall objective is to create between 3,000 and 5,000 jobs by 2020.

Projects and activities supported with the 2014 Award

Thanks to the 2014 Award, the ASM team was able to:

- Assist in the **development of two existing microfranchise networks**: “*Chauffeur&Go*”, a network of drivers without cars, and “*La Microfranchise O₂ Adie*” for small scale gardening services;
- Prepare the **launch of a third microfranchise network**: “*Mon Coursier de Quartier*” (My Neighbourhood Courier Service) for transport of people and goods by tricycle; and,
- Implement **three new pilot projects** in arts and crafts, ironing/alterations and street food.

Assistance to two existing microfranchise networks

Chauffeur&Go

Chauffeur&Go is a **cooperative of drivers without cars**, offering chauffeur services to individuals and company staff when they are unable or unwilling to drive themselves.

After successfully reaching financial breakeven for the first time in 2013, the cooperative suffered a significant economic slowdown, due to a highly competitive environment and changes in regulations. In view of the challenges faced by the cooperative, Adie Social Microfranchising initiative strengthened its support to *Chauffeur&Go* by redesigning the business plan. Between October and December 2014, a strategic programme was designed for implementation over the course of 2015. The team was reorganised to improve its efficiency and new resources were invested in client acquisition. As a result, *Chauffeur&Go* was selected for a big event in February 2015 in Paris, mobilising more than 20 drivers.



La Microfranchise O₂ Adie (LMFOA) is the result of a partnership between Adie and O₂ Home Services, a major player in the French personal services sector, which offers **small scale gardening services** to private individuals. In January 2013, LMFOA started the deployment of a national network, which included 17 gardeners by the end of the year.

In 2014, the top management of LMFOA was professionalised. ASM helped LMFOA redesign the processes used to recruit and integrate its microfranchisees, which resulted in a considerable improvement of their effectiveness and enabled the recruitment of 30 additional gardeners. Services provided to microfranchisees were also improved: better communication during the start-up phase, more effective information systems, as well as



Mariama, one of the four independent retouchers from Adie clientele currently testing the ironing-alterations concept

strengthened monitoring and follow-up. The network continued to grow in early 2015 with the selection and training of 11 more gardeners.

Preparation of the deployment of a third social microfranchising network

The third social microfranchising network, *Mon Coursier de Quartier* (My Neighbourhood Courier service) is the result of a partnership between Adie and Cyclopolitain SAS, a French leading company for **environmentally friendly transport solutions** on power-assisted tricycles. Cyclopolitain's business model is based on three activities: the manufacturing and marketing of vehicles, the management of a vehicle fleet, and the sale of advertising space on the vehicles. In order to accelerate its growth, Cyclopolitain chose microfranchising and requested the services of Adie.

The collaboration started with the preparation of a **"turnkey" business model** that could be proposed to Adie's target population, followed by financial modelling work at two levels (microfranchisees and top management of the network). This process validated the profitability of the activity and the proposed network. The model is based on the versatility of the tricycle, which enables entrepreneurs to carry out three unique activities, thus diversifying their sources of income: transporting people (taxi), delivering small parcels, and marketing advertising space on the vehicles.

In the second quarter of 2014 Adie and Cyclopolitain pilot-tested the activity with an entrepreneur in Lyon. The test was highly successful, as the courier started earning more than the minimum wage from his 4th month in operation onwards.

Since October 2014, Cyclopolitain and Adie have been preparing the deployment of the network. The first neighbourhood couriers should start operations in the second quarter of 2015.

Start-up of three new pilot projects

Three new pilot projects were launched in 2014:

- Initial contacts were made with a dry-cleaning group in 2013, leading to the preparation by ASM of a franchise for **ironing and alterations services at home**. A project team was established in early 2014 and a mixed model was conceived, whereby microfranchisees would launder, iron and make small alterations (buttons, hems, zippers, etc.) in their own homes. The pilot phase started in October with four independent retouchers from Adie clientele who are currently testing the concept in the Paris area.
- Following talks with a large agro-food group in 2013, a joint team was established in early 2014 to design a microfranchise business model for **mobile catering (street food)**. The concept is for microfranchisees with a tricycle to visit business parks lacking sufficient restaurant facilities twice a week during lunchtime, offering an economical menu of well-balanced meals to enterprises employees. Following an initial market study and preparation of a validated business model, a first "marketing test" was carried out in the Paris area during June. Preparations of the pilot phase accelerated during the second half of 2014, based on a partnership with a social caterer. The pilot phase started in the early days of 2015 with a first delivery tricycle.
- The idea of the Léopard Créatif Mobile, initiated by the founding father of a network of arts and crafts workshops-boutiques, is based on **customised sales trucks** travelling in semi-rural areas to sell arts and crafts products and to organise workshops in schools, associations, retirement homes, etc. Adie and Léopard Créatif started working together on the business model in the first half of 2014, and prepared the launch of a first mobile unit in October, managed by a microentrepreneur who was assisted and financed by Adie. A formal evaluation exercise of the pilot phase during the first half of 2015 will determine the feasibility of the project.

Results achieved

The year 2014 marked **increasing recognition** of the social microfranchising work of Adie, both at national and international levels. ASM was selected as one of the 15 social initiatives highlighted by the French President in "*La France S'Engage*" program, and won the first prize in the Social Innovation Tournament of the European Investment Bank Institute.

This recognition is largely due to the successful deployment of the first two microfranchise networks supported by Adie. In spite of a significant slowdown of activity in 2014, *Chauffeur&Go* has enabled **nearly 90 drivers** to work on a full-time or part-time basis. While the business model is yet to be consolidated, the **recognised quality of service** of *Chauffeur&Go* constitutes a major asset and should help the cooperative intensify its commercial marketing campaign

vis-à-vis two main targets: large corporate accounts and event organisers, while simultaneously supporting the development of drivers to find new clients and manage their customer base.

Regarding *La Microfranchise O₂ Adie* (LMFOA), on March 2015 the network included **more than 50 microfranchisee gardeners** throughout the French metropolitan area. On average, their performances have exceeded the estimated forecasts (average monthly sales of €2,400 taxes included; average hourly sales prices of €40 taxes included). Their businesses have developed more quickly than those of gardeners trying on their own. After one year, **their income exceeds the minimum wage**. In 2015, the main challenge for LMFOA will be to accelerate the expansion of the network, a process which will require more support and monitoring of microfranchisee gardeners.

In addition, the Social Microfranchising team at Adie supported four projects in 2014. The pilot project managed in partnership with Cyclopolitain, *Mon Coursier de Quartier* (My Neighborhood Courier Service), led to the launch of the network in 2015. Three other pilot projects (ironing/alterations, mobile catering, Lézard Créatif Mobile) are underway.

Client success story Stéphane's gardening business

During his technical and commercial studies in landscaping and sales of ornamental plants, Stéphane Frachisse started to think about creating his own business. To gain experience in sales, customer reception and advice, Stéphane took a job in a garden centre. After a few short-term jobs in various supermarkets, he discovered Adie, O₂ and the gardening microfranchise opportunity. He knew right away that it was the right project for him: it would enable him to take the leap and create his gardening business, benefitting from the help of a well established company and a well-known trademark.

Stéphane launched his activities in August 2014. After a few months of operations, he has been very happy with the results. His customers are busy individuals who do not have the time to care for their lawns and gardens, so he takes care of everything.

Stéphane wanted to be accompanied in his project, so he relied on O₂ for technical support and on Adie for funding. When his activity will expand, he wishes to give back by mentoring other young gardeners: initially, he plans on hiring an apprentice to teach him the job and help him get his career started.



Stéphane started his gardening business with a O₂ microfranchise

2015 Finalists

After an in-depth analysis and discussion of each proposal, the Award Committee has selected three finalists. The Committee believes that each of them offers an innovative approach and inspiring ideas that could be transferable to other contexts.

The three finalist institutions selected for the 2015 edition of the Award, whose initiative and activities are described in this section, are:

- **Agroinvest fond LLC Belgrade**, from Serbia;
- **Créa-Sol**, from France;
- **Scotcash**, from the United Kingdom.



Agriinvest fond LLC Belgrade

Serbia

Project Name

Successful rural microfinance in Serbia through banking partnership

Agriinvest is a microfinance institution operating in partnership with Société Générale Bank in order to facilitate access to loans for rural and poor families in Serbia. The MFI takes advantage of its close contact with the local community for selecting clients and assessing their creditworthiness. The partner bank then disburses loans to deserving applicants and uses a guarantee fund created by Agriinvest as collateral.

INITIATIVE PRESENTED FOR THE AWARD

Brief description of the initiative

In order to strengthen its long-term potential and serve its target group in a sustainable way, Agriinvest operates in partnership with a bank through a **Guarantee Agency Model**. Agriinvest facilitates access to loans from Société Générale Bank (SG Bank) for private individuals and agricultural producers who have seasonal or volatile sources of income. After selecting suitable clients and assessing their risk and creditworthiness, Agriinvest provides them with administrative assistance for loan disbursement procedures and delivers clients' files to the partner bank. Société Générale Bank, after controlling and verifying the files, opens and runs current accounts for clients proposed by Agriinvest; it will then disburse loans to the selected clients, using a deposit guarantee provided by Agriinvest as collateral.

Agriinvest **guarantees the whole portfolio of loans** disbursed by the partner bank and increases the deposit when a client is late with payment. In case the client is in default, i.e. 120 days late after the payment due date, Société Générale Bank is entitled to receive the total amount of outstanding principal of the defaulted loan by the MFI plus all unpaid interest from the moment of default. SG Bank pays the agreed monthly agency fee to Agriinvest for its micro-lending services, such as finding and assessing clients, monitoring and other follow-up.

This partnership model benefits the clients because it increases access to financial sector for the rural poor, and represents a win-win solution for both partners, in terms of financial and non-financial benefits. Société Générale Bank receives application fees and account maintenance fees, a margin share on each loan repayment, revenue from AgroInvest's deposit and does not incur losses on defaulting loans as they are fully repaid by the MFI after the number of days agreed. This partnership also represents a way for the bank to improve its **corporate social responsibility** and to reach new market segments, while maintaining a very low risk on portfolio performance. AgroInvest benefits from this partnership as it leads to **greater financial inclusion in rural areas** while overcoming regulatory impediments to lending and collaborating with a reputable and solid bank that has a wide branch network suitable for the depth and breadth of AgroInvest's outreach targets. The MFI also receives revenue from the interest rate applied on loans.

Some of the **main challenges** were the difficult negotiations regarding the terms of the partnership, the need for a relatively small and entrepreneurial MFI to learn how to communicate and work with a very large group with top-down directives, the harmonisation of the internal management information system and the understanding by SG Bank staff of microfinance model and target group.

Congruence with the Award topic

AgroInvest operates solely through a **partnership with the mainstream financial sector**, facilitating loan disbursement by banks and acting as an intermediary for entrepreneurs who do not have or have limited access to loans granted by commercial banks and often do not have a steady income. AgroInvest's model makes use of a guarantee deposit, which gives the bank confidence in working with the most excluded part of the population and helps AgroInvest continue to work with its target group.

According to AgroInvest, there are various reasons why banks do not work with this population directly:

- The clients served live very far from any bank office and usually do not have any means of transportation, therefore reaching them and working with them is very labour-intensive and implies **high operations costs**. At the same time, revenue from interest rates remains low because the loan size is very small due to the clients' economic vulnerability. For these reasons, banks do not consider these businesses as profitable.
- The Central Bank regulation requires banks a **100% accounting provision** in order to serve unregistered and "unbankable" clients, but banks are not prepared to comply with this norm without an incentive/subsidy because they are focused first and foremost on profitability, while AgroInvest is focused first and foremost on social mission and financial inclusion.

For these two reasons, the partnership with AgroInvest enables banks to obtain a credit and business-track record of the clients. They can also offer other services and products to clients such as micro-transfers or insurance, which all contribute to lift people out of poverty.

Innovation

AgroInvest is a Serbian MFI that **operates as a guarantee fund** and is one of the very rare, if not the only, privately owned guarantee fund in the region. Moreover, in Serbia, a regulatory framework for microfinance does not exist, making it much more challenging for the poor to rise out of poverty through financial inclusion.



AgroInvest branch office in Jagodina

The initiative is innovative, not only because this partnership is rare within the region, but also because the use of the grant will go towards new and upcoming considerations in Serbia. By offering attractive loan products with technical assistance, clients are more likely to succeed. Likewise, the country is increasingly focusing its regulation towards **client protection** and this partnership can help AgroInvest strengthen its action in the promotion of this topic. The partnership will continue to pioneer and offer more tailored support to clients while being financially sustainable.

This initiative not only links both partner organisations' operations together, but it also leverages traditional partnerships through the welcoming of new actors such as energy efficiency consultants and insurance companies, thus widening the offer to clients.

Sustainability

As AgroInvest operates in remote rural areas of the country with attention to each client, the model per unit lent is very costly. Therefore, financial sustainability can be only reached if the model is implemented at scale. Moreover, one of the interesting features of this model is that, from the funding side, AgroInvest only needs to provide a 25% deposit to SG Bank for the outstanding portfolio of the loans recommended. This means that even with a relatively vigorous growth plan, AgroInvest has lower funding requirements as the partner bank finances the majority of the portfolio. For example, for calendar year 2015, AgroInvest needs to obtain €600,000 to grow to a level of €15 million (being now at €11 million). Consequently, the partnership can reach financial sustainability within the next quarter.

Impact-Outreach

From the outset, AgroInvest aimed its activities towards the achievement of long-lasting positive effects in the communities in which it works. The MFI is dedicated to business ethics that contribute to economic prosperity and lifestyle improvement of its clients, employees and their families, local communities and society in general. AgroInvest services aim to **support economic progress in underdeveloped areas**. In 2014, the institution reached more than 15,500 clients with an average of 1.6 children per household. Most of the clients live in rural areas (48%) and depend on agriculture. Additionally, 53% of AgroInvest clients have an income lower than the average minimum income in Serbia.

AgroInvest is participating in the **Wise Borrowing campaign**, organised by MFC (Microfinance Centre) in 11 countries. Participation in this campaign gives the opportunity to offer additional education and confidence to customers, thus developing long-term cooperation and mutual satisfaction of both the institution and the client. With the initiative presented for the Award, AgroInvest can continue measuring these indicators and further enhance positive impact on clients by tracking insurance coverage, retention rates and the number of clients with an energy-efficient activity or home.

AgroInvest's target clients are first and foremost in rural areas; AgroInvest's unit of analysis is the household. Through social programs focused on the improvement of health, education and the overall living conditions of children, AgroInvest's positive impact on the households and the local area is going to be significant not only in creating value chains to other businesses (e.g. carpentry, construction) but also by having direct positive impacts on the wellbeing of target households.



Zeljko Popovic,
Agroinvest client

Replicability

Financial inclusion is necessary for true economic development. This is now a well-known fact supported by updated datasets (such as those realised by the World Bank and the Economist Intelligence Unit). As the financial sector is searching for solutions to expand access to financial services, the AgroInvest model is one possible way to reach this goal and as such can be considered interesting at a global level.

The model that AgroInvest uses is easily replicable in other countries, given a few pre-conditions:

- There must be a sufficiently **large market size of unbanked**, be in the rural areas or not, to allow a sufficient scaling-up to operate sustainably. Otherwise, the model may not work and would not be attractive to the mainstream commercial sector.
- There must be at least one **strong microfinance provider** with a social and financial mission, strategically committed to the rural unbanked poor.
- There must be at least one **solid and transparent bank** in the country that has a strategic mandate to expand into this market.

Client success story The “Happy farm” of Nikola Bankovic

Nikola Bankovic, a 35-year-old goat breeder, grew up in Belgrade but decided to move to the village of Rudnik in 2005, with the idea to start an agricultural business. He now lives in a rural area with his wife and two children and produces goat cheese through his enterprise called “Happy Farm”. He is confident that the primary potential for the development of the Serbian economy is in small agricultural businesses and full cycle production, where an individual farmer depends on himself and not on buyers and sellers. In addition, he strongly believes that young people would not leave rural areas if given a chance to take microloans and start a small business. “The progress of the country’s economy is not in big agricultural programs or large farms, but in small productions, where one needs a small piece of land, some funds and a good idea such as to grow fruit and produce honey, mix it and have a great natural product, without a large investment. I breed goats in order to produce goat cheese. I have a small, full cycle production”, says Nikola. Nikola heard of AgroInvest through posters in the village and decided to buy more goats with AgroInvest loan. Nikola chose AgroInvest because of its simple and fast procedures and easy access to the funds required.

INSTITUTIONAL PROFILE

History

AgroInvest has been working in Montenegro since 1999 and in Serbia since 2001 to improve life for rural families through its economic and social development programs. Through these basic pillars of development, AgroInvest targets the main problems faced by rural population today. AgroInvest’s core activity is **microfinance lending**, but it also has a **social program** function realised in partnership with local communities, providing a more holistic approach to tackling poverty.

Mission

AgroInvest’s mission is to serve and empower rural families with high quality financial services and social programs.

Governance Structure

The board is in charge of oversight, internal audit function and strategic direction. It is formed by five members who meet every quarter; two of them are representatives of **VisionFund International**. Additionally, a Risk, Finance and Recovery Committee meets on a monthly basis.

Organisational Structure

AgroInvest has established a highly professional senior team to instil best professional practices at all levels in the company. As a member of working groups on specific topics, AgroInvest shares experiences and practices with other institutions.

Target Clients

The main goal of AgroInvest is to serve poor rural households. The target group consists of:

- **Rural households** in terms of location and address.
- **Poor households** in terms of monthly income and assets. Agroinvest differentiates between very poor and poor households. Very poor households are defined as households receiving a gross monthly income below €250 or €50 per household member; poor households are households who receive a gross monthly income below €500 or €100 per household member. In terms of assets, poor households are defined by their household property, business property and other assets. For example, poor households in terms of portable property have property of no more than €2,500.
- Households with **microbusiness activities** in terms of income sources. Agroinvest prefers to serve households who generate income from microbusiness activities, when these activities are the main source of income. The main source of household income is defined as more than 50% of total income generated from any business activity.

Geographical Area of Operation

In order to provide high quality services to its target clients, AgroInvest is organised in a way that provides significant and continuous presence in the field through **16 satellite offices** associated in 6 regions around Serbia, as shown by the map below.

Products and Services

In cooperation with Société Générale Bank, AgroInvest offers four types of products to its clients: business loans, agricultural loans, start-up loans and basic needs loans.

- The **business loan** (AIFBUSINESS) is a product primarily intended for entrepreneurial clients who have existing business activities engaged in trade, production and services. It can be approved to finance fixed assets and working capital.
- The **agricultural loan** (AGROLOAN) is designed for people in agriculture and areas closely related to agriculture with need of funds for maintenance or expansion of agricultural activities.
- The **start-up loan** (AIFSTART) is a product intended for entrepreneurs who want to start a business activity and have the experience needed to deal with it. It can meet the needs of clients who have an idea to start their own independent business activity for the first time or clients who would like to diversify their business risk.
- The **basic needs loan** (AIFCONSUMER) is a product designed for clients who run a business activity or have a job as a source of regular income. It is used to meet basic needs such as payment of school fees, construction and renovation of apartments/houses, purchase of furniture, technology and equipment, etc.



■ Head Office ◆ Regional Office ● Branch Office

Geographical Area of Operation

AgroInvest plans to increase the maximum loan term up to 36 months for all products to better serve poorer clients; it is also developing two new products: an agricultural loan for livestock purchase and a loan to increase energy efficiency in houses.

Adopted Approach

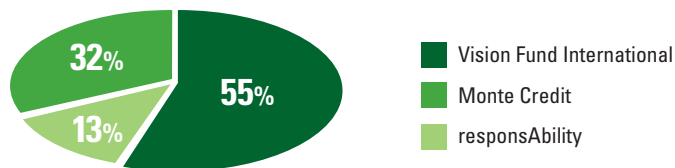
AgroInvest prefers to support households, particularly those with children. AgroInvest adopts an **individual lending methodology** with some specificity: it has a dedicated team of loan officers located deep in the rural areas and it adjusts its methodology to offer **flexible types of collateral**, such as agricultural machinery. AgroInvest prides itself on a very deep knowledge of its clients, which enables it to have very little portfolio delinquency.

Outreach Achievements

	Dec. 12	Dec. 13	Dec. 14
Active Borrowers	13,390	15,987	15,814
Women	49%	48%	48%
Migrants	n.a.	n.a.	n.a.
Youth	6.43%	5.79%	6.35%
Rural Clients	96%	86%	74%
Clients Below Poverty Line	1.6%	3.2%	2.4%
Active Savers	n.a.	n.a.	n.a.
Women	n.a.	n.a.	n.a.
Migrants	n.a.	n.a.	n.a.
Youth	n.a.	n.a.	n.a.
Rural Clients	n.a.	n.a.	n.a.
Clients Below Poverty Line	n.a.	n.a.	n.a.
Loan Portfolio	€8,268,763	€9,610,379	€10,529,846
Average Loan Amount Disbursed	€940	€950	€1,057
Number of Branches	12	17	16
Number of Staff	140	138	144
Number of Credit Officers	70	61	72
Client Drop-out Ratio	41.67%	32.8%	32.44%

Funding sources

AgroInvest has three private funders: Vision Fund International, responsAbility and Monte Credit, which provide funds as showed in the graph below.



Financial Achievements

	Dec. 12	Dec. 13	Dec. 14
Portfolio at Risk ¹	2.1%	2.7%	1.4%
Write-Off Ratio	1.4%	1%	1.2%
Portfolio Yield	32%	31%	24%
Debt to Equity Ratio	3.25	5.86	10.91
Operating Expense Ratio	32%	33%	28%
Cost per Borrower	€199	€203	€175
Staff Productivity	96	116	110
Return on Equity	- 37.3%	- 47.8%	- 42.6%
Return on Assets	- 10.6%	- 8.9%	- 4.7%
Operational Self-Sufficiency	70%	75%	82%

¹ PAR 30

Social Performance of the Institution

Define and monitor social goals

Due to its membership in the World Vision network, whose ultimate goal is Child Well Being Outcomes, AgrolInvest focuses heavily on its clients' families and vulnerability. 90% of AgrolInvest households have an income below RSD 29,000 (approximately €240). AgrolInvest funds and develops social programs on a quarterly basis. These social programs are focused on the **improvement of health, education and the overall living conditions of children in rural areas** where AgrolInvest is present. One of the social programs, "Keep them at home", focuses exclusively on children with disabilities living in remote rural areas; it provides adequate access for these children to education and health services. Another program, "Happy Child", started in 2004, provides support to projects such as reconstruction of schools, kindergartens, churches and homes, construction of playgrounds, provision of computers and other equipment for schools, medical supplies and therapy equipment for children with disabilities, etc.

AgrolInvest collaborates with an organisation called "The Safe House" which provides care and shelter for women and children victims of domestic violence, educates women about self-respect and provides education for women. In 2014, when Serbia faced the worst floods in more than a century, AgrolInvest participated in USAID's grants program by providing the MFI's resources and knowledge to help rural entrepreneurs recover as soon as possible, not only in the areas where AgrolInvest is present.

All data on the social performance of clients and their characteristics are collected through the loan application form. Data reporting occurs on a monthly, quarterly and annual level. Data are presented in three types of reports: Financial, IT and Social Impact Report.

Ensure commitment to social goals

Social performance is indeed a key focus of VisionFund's work through its affiliates, and the network wants to ensure that it will remain a priority. Therefore, VisionFund governance policies and procedures require board members to be expert in social performance. The importance of social performance permeates many of the organisational decisions. For instance, in 2011, it became clear to the management team that the organisation was running the risk of mission drift away from its target group. The management team requested a special Board Meeting to present the situation and proposed a restructuring. While it was clear that this **re-orientation towards the rural, lower-income group** would have negative financial short-term and mid-term implications, the positive results for clients and their households prevailed and the board overwhelmingly approved the plan. The board and VisionFund International request social impact reports, discuss them and ensure compliance; they have also been very supportive of AgrolInvest's efforts towards client protection certification and responsible borrowing.

AgrolInvest senior managers related to operations (CEO, Country Director, Operations Manager) and network employees are evaluated and rewarded based on financial performance criteria. Bonuses for employees depend on portfolio size and delinquency; adherence to the target group is one of the key eligibility criteria.

Meet clients' needs and preferences

AgrolInvest conducts client satisfaction surveys once a year, prepares dropout analysis quarterly, uses ad-hoc surveys and focus groups to find out about needed improvements to maintain a long-lasting relationship with clients.

The results of the surveys are used in order to reduce the barriers of potential clients to financial inclusion, if the client characteristics meet the criteria required by AgrolInvest.

Treat clients responsibly

AgrolInvest prevents over-indebtedness through an internal financial analysis that uses the information on clients provided by the Serbian credit bureau. AgrolInvest has also implemented the educational campaign "Wise Borrowing" realised by Microfinance Centre (MFC) and aimed at client over-indebtedness prevention. The MFI has also signed the **Smart Campaign's Client Protection Principles** and is planning to undertake the certification process in 2015.

In order to give complete, timely and understandable pricing and non-pricing product information, AgrolInvest's partner bank provides to potential clients all loan conditions before the disbursement. AgrolInvest's policies and processes were designed

to make sure that clients are being treated fairly and respectfully. These policies and processes were evaluated (according to the criteria set) in terms of AgroInvest participation in Client Protection Principles Certification.

Treat employees responsibly

Employee satisfaction is measured annually along with other tools such as Human Resources questionnaires and personal conversations with employees. Moreover, turnover of employees is monitored on a monthly basis.

Balance financial and social performance

AgroInvest approaches each client individually in order to create an instalment rate in accordance with the client's needs and his/her repayment capacity, as well as to improve his/her business activity.



Slavko Zekic,
AgroInvest client

Environmental Performance of the Institution

AgroInvest has a written environmental policy with defined environmental roles and responsibilities. Indicators defined by the **environmental policy** are checked before the loan approval and reporting is conducted annually. AgroInvest is committed to comply with national and international environmental regulations applicable to its activities and business services. It monitors and reduces the use of resources, including energy and water consumption; invests in energy-efficient and environmentally friendly technologies, when cost effective; minimises waste through recycling and efficient use of resources; encourages the use of different means of transport with low environmental impact. AgroInvest also has "Green Office Procedures", which include environmental training for its employees and internal control checks whether the employees adhere to these procedures.

AgroInvest uses an Environmental and Social Risk Categorization List to determine the level of **environmental risk of clients' business activities** followed by a rating based on a scale of low, medium and high risk. According to AgroInvest internal rules, loans to businesses that are harmful to nature (woodcutting, etc.) are limited to a maximum of 5%. To date 0.15% of current clients run businesses that have a negative effect on the environment; it is AgroInvest's intention to further reduce these levels and to promote positive examples of environmentally friendly businesses.

AgroInvest plans to introduce products that will aim to improve households in terms of energy efficiency and living conditions. At the moment, AgroInvest is taking part in the preparation of projects related to the improvement and development of entrepreneurship in less developed areas in the region; technical assistance and training for clients who want to start **environmentally-friendly practices** as well as awareness training can be potentially provided. The MFI conducts this project in cooperation with other government and non-government organisations in the region (Bosnia and Herzegovina, Kosovo).



Créa-Sol

France

Project Name

Co-financing projects with mainstream banks

Créa-Sol is a French microfinance institution that finances micro and small businesses in partnership with banks and business-support networks. Through co-financing, the partners share the amount lent and this eases the approval of loans rejected by banks because of the high amount requested. This partnership also allows providing entrepreneurs, often previously unemployed people, with business development services and post-disbursement monitoring.

INITIATIVE PRESENTED FOR THE AWARD

Brief description of the initiative

From 2005 to 2008, the MFI Créa-Sol provided credits up to €40,000 and hence was the main financing source of many small businesses. By changing its status to become a licensed MFI, in order to access funds to finance microcredit activity, its financing capacity was reduced to €10,000. After this regulatory change, Créa-Sol was no longer able to support larger projects that have the potential to create 2 or 3 jobs. Therefore, Créa-Sol decided to engage in a **co-financing partnership with commercial banks** in order to continue to serve a much larger number of entrepreneurs.

Créa-Sol also became aware of many cases where project holders were denied bank financing despite their skills and/or viable projects. A frequently cited reason for bank rejection was the large size of the requested loan: the larger the requested loan, the more burdensome is the credit approval process. Créa-Sol realised that **reducing the amount requested to the bank** eases loan approval. Moreover, Créa-Sol became aware of cases where the financing plans under-evaluated cash needs. The intervention of Créa-Sol is crucial in these situations, as it helps microentrepreneurs to maintain a lower debt level and strengthen their ability to cope with various hazards.

Other partners involved are the following:

- **Banking networks** that provide medium and long-term loans to microenterprises to finance equipment and start-up;
- **Business-support networks** (*France Initiative, Boutiques de Gestion d'Entreprise*) that grant honour loans and NACRE¹ loans that are interest-free and personal loans.

¹ Nouvel Accompagnement à la Création et Reprise d'Entreprise (New Support to Business Creation and Recovery).

The **main challenges** faced during the conception of this partnership were to clearly define the MFI's positioning and role, and explain that this partnership did not compete with existing solutions. Additionally, it was challenging to make different stakeholders accept that the MFI applies an interest rate of 5%. This interest rate is sometimes perceived as being high compared to those charged by banks and of course compared to interest-free honour loans, which are publicly funded. Nevertheless, recent elimination of PCE² loans (loans for business creation from Public Investment Bank in France, which can be used by the micro-borrowers to finance business cash needs) has created an opportunity for Créa-Sol to increase its microcredit offerings.

Congruence with the Award topic

Many projects do not have access to bank financing and are therefore rejected by the lenders because of insufficient personal investment of the project holder. Banks are generally reluctant to fund cash needs and rather prefer financing start-up costs or equipment. MFIs can provide a solution to this problem by accepting to **finance the cash needs of small businesses**, usually in their start-up phase. Créa-Sol's partnership for microcredit disbursement increases the probability of a project holder to receive a favourable decision from the commercial bank. This is particularly important for socially or financially excluded individuals: the MFI analyses applicants using a human approach and, therefore, lowers the negative image that banks might have about small business start-ups, due to their informational opacity and lack of personal investment. Créa-Sol can also provide financing in the post-creation phase, when the bank has already intervened and does not wish to finance the unforeseen expenditures of the enterprises.

The initiative presented for the Award optimises the activities of the various actors willing to support people who want to create their own enterprises but lack sufficient personal resources. It allows the partnership's members to **collectively finance larger projects** (€40,000 / €50,000).

Each player specialises in his core business:

- **Business-support networks** provide project holders with honour loans (loans without interest rate, which increase project holder's borrowing capacity as they are generally considered as a complement of personal investment by banks) or other non-financial services (such as business development services). These networks additionally monitor business activity.
- **Créa-Sol** lends to the microenterprises. Hence, it does not have any impact on the level of personal indebtedness and does not take personal guarantees.
- **The bank** lends to the microenterprises for specific needs and necessarily requires relatively burdensome guarantees.



Créa-Sol client David Dumont and his business "Burger Brothers"

² Prêt à la Création d'Entreprise (Credit for Business Creation).

Innovation

This type of partnership is innovative in small business finance from several perspectives. On the one hand, Créa-Sol becomes a salient partner for all the players who are directly involved in small business creation. On the other hand, the MFI can continue to support ambitious projects, which have the potential to create new jobs. With the recent elimination of the PCE loans, Créa-Sol has naturally become an **alternative offer for financing business cash needs**. Moreover, this approach allows improving the MFI's role in the "Approval Committee" (*Comité d'agrément*) of Initiative France network whose members decide about the provision of the honour loan to applicants. Attending these committees strengthens the MFI visibility and the likelihood to be taken into account at the time when the funding plan is drawn up (before the Approval Committee); as a result, Créa-Sol finances most of the business plans presented during these committees. Créa-Sol's partnership with France Initiative network allows for a **decrease in the size of the loan requested to the bank**. As smaller loans do not require involvement of upper hierarchical layers in the approval process, a simplified decision scheme implies a higher likelihood of a favourable disbursement decision by the bank.

This partnership allows the synergies and resources of all the participants to serve vulnerable entrepreneurs who would otherwise abandon their projects. Indeed, obtaining a bank loan for business start-up with little or without personal investment is extremely difficult, if not impossible. Public actors (via honour loans and NACRE loans), Créa-Sol and private banks work together to **develop synergies and mutual support**. By granting relatively small loans (smaller than or equal to €10,000), Créa-Sol stimulates social efficiency. The main purpose is to make the MFI's resources available for viable projects, which **contribute to job creation**. This strategy also allows for better management of the MFI's risk as financed projects are validated by several partners and are therefore safer.

Sustainability

The partnership reduces the amount of financial intervention for each actor, enabling the support of more projects. The shared decision process also improves analysis and advice capacity. Each partner generates mutual benefits and none of them receives any commission. The 5% rate charged by the MFI enables a shift towards financial sustainability.



Above, Créa-Sol client Angelina Acquaviva and her business "Lalla Chiffon".

Left, Créa-Sol client Didier Gervais in his shop "Marseille in the box"

Impact-Outreach

Most of the beneficiaries (74%) are unemployed, with a low level of education (49% do not have a college degree) and are, therefore, **socially vulnerable**. This approach maximises the likelihood of bank approval and increases the start-up cash amount, contributing to the feasibility and sustainability of the project's life.

The loans financed with bank co-financing generate additional jobs in the years following the microcredit disbursement. Moreover, Créa-Sol's financial intervention has a positive effect on the other partners (*France Initiative, Boutiques de Gestion*, etc.), as they are increasingly accepting financing requests.

Replicability

Créa-Sol intends to extend its activities to other French regions to increase its impact. In addition, other microcredit providers can implement this action. Its success, in terms of outreach, requires the **commitment of all partners to the social mission**. The partner MFI should have set pricing similar to that of banks in order to avoid psychological rejection (Créa-Sol currently charges an interest rate of 5% whereas bank interest rates amount to 2.5%-3%).

A majority of the projects financed by Créa-Sol and partner banks also benefit from a public NACRE loan that is interest-free. NACRE loans require that no financing partner asks for a personal guarantee exceeding 50% of the loan size. Créa-Sol does not ask individual guarantees, as all its loans are guaranteed up to 70% by a public fund financed by the State (France Active Guarantee).

The main goal of this initiative is to enable the financing of projects that would have been otherwise rejected by banks, thus preventing unemployed entrepreneurs from creating their own jobs. This type of financial exclusion is common in Europe and is not limited to French territory. This type of intervention, involving co-financing between banks and MFIs, will be extremely useful in Europe. However, the French ecosystem facilitates synergies through the presence of **networks providing honour and NACRE loans**. These networks generally act as coordinators and widely promote the approval of the financing plans that Créa-Sol presents to banks. In the regions where these public systems do not exist, a closer relationship between MFIs and banks would be required to generate similar results. For instance, the cooperation can be enhanced by a partnership where the MFI recommends clients to banks.

Client success story **Antoine Pompa and his passion for football**

In 2011, Mr. Antoine Pompa, then aged 25, turned to Créa-Sol to start-up his business project dedicated to football in downtown Marseille. "Espace Foot" is a specialised franchise that sells jerseys, equipments and other sports products. Mr. Pompa holds a Master in Entertainment Media Sport Management, has an entrepreneurial character and possesses a good ability to listen.

Having a personal contribution of €50,000, he applied for €10,000 loan from Créa-Sol to reinforce its start-up bank loan of €120,000 for the lease rights and shop arrangement. He also received a €10,000 honour loan and a €7,500 NACRE loan.

After more than 3 years in existence, *Espace Foot Marseille* is today a reference address for any fan of football, in a city where this sport is synonymous with passion. With the creation of two jobs and a turnover growth of 30% between 2012 and 2013, *Espace Foot Marseille* has found its place in a highly competitive market. Compared to general stores, this hyper-specialised *Espace Foot* resisted the impact of the financial crisis on sporting goods.

INSTITUTIONAL PROFILE

History

The MFI Créa-Sol was created in 2005; after an experimental phase and analysis, in recent years the MFI undertook a significant growth path to develop an original model aiming at autonomy. In 2009, Créa-Sol was authorised to grant microcredits through bank intermediation and transformed its legal status to that of a Microfinance Institution. Between 2009 and 2012, Créa-Sol signed various **agreements of partnership with different players**, such as *Caisse des Dépôts et Consignations* (CDC), *Caisses d'Épargne Provence-Alpes-Corse & Côte d'Azur*, ADEC (Agency of the Economic development of Corsica), EIF (European Investment Fund), Babyloan (crowdfunding platform) and *Banque Postale*. It also participated in **JASMINE Technical Assistance**, a technical assistance initiative for MFIs managed by the EIF, and in 2010 and 2013 it undertook assessments by Planet Rating agency. Since 2009, Créa-Sol has been a member of the European Microfinance Network.

Mission

It is the intention of the association, accredited by the Microcredit Committee of the Ministry of Economy, to accompany, develop, coordinate, implement, finance and guarantee all initiatives or actions of public interest for the **economic integration of disadvantaged people**. The aim is to fight against exclusion, especially financial exclusion, of entrepreneurs, project initiators in the field of social and solidarity economy, and people facing fragile situations. In order to achieve this purpose, the association provides to its stakeholders the financial, human or material means to encourage integration, economic development and employment. In line with this objective, the institution will grant loans with affordable interest rates.

Governance Structure

A **Board of Directors** consisting of 16 members defines the general policy of the MFI and ensures proper implementation of its statutory purpose. An **Audit Committee** formed by 6 members is responsible for ensuring the proper management of risks inherent in the structure and activity. It also oversees the internal control system and monitors recommendations.

Outreach Achievements

	Dec. 12	Dec. 13	Dec. 14
Active Borrowers	2,031	2,438	2,409
Women	61%	59%	56%
Migrants	n.a.	n.a.	n.a.
Youth	15%	11%	12%
Rural Clients	n.a.	n.a.	n.a.
Clients Below Poverty Line	n.a.	n.a.	n.a.
Active Savers	n.a.	n.a.	n.a.
Women	n.a.	n.a.	n.a.
Migrants	n.a.	n.a.	n.a.
Youth	n.a.	n.a.	n.a.
Rural Clients	n.a.	n.a.	n.a.
Clients Below Poverty Line	n.a.	n.a.	n.a.
Loan Portfolio	€6,282,208	€6,730,955	€6,498,078
Average Loan Amount Disbursed	€4,328	€4,331	€4,599
Number of Branches	5	5	5
Number of Staff	12	13	13
Number of Credit Officers	8	8	8
Client Drop-out Ratio	15.62%	19.15%	29.16%

Financial Achievements

	Dec. 12	Dec. 13	Dec. 14
Portfolio at Risk ¹	12.75%	13.61%	11.70%
Write-Off Ratio	4.28%	8.59%	10.55%
Portfolio Yield	3.33%	4.17%	4.85%
Debt to Equity Ratio	1.32	1.60	1.26
Operating Expense Ratio	18.68%	18.36%	12.15%
Cost per Borrower	€546.96	€508.99	€327.13
Staff Productivity	169.25	187.53	185.30
Return on Equity	4.77%	- 4.37%	0.85%
Return on Assets	1.96%	- 1.68%	0.35%
Operational Self-Sufficiency	114.69%	82.45%	114%

¹ PAR 30

Organisational Structure

Créa-Sol has 13 employees; five of them work in back office and eight work in front office as loan officers for business and personal microcredit.

Target Clients

Créa-Sol supports people who do not have access or who have partial access to traditional banks, with the aim to finance business creation, takeover or development projects and personal projects. Créa-Sol's target group mainly consists of unemployed individuals.

Geographical Area of Operation

The MFI is located on the territory of the PACA Region (Provence-Alpes-Côte d'Azur) through **five branches**: Marseille, Avignon, Toulon, Nice and the Réunion. Créa-Sol realises its activities in the French regions of Provence-Alpes-Côte d'Azur, Corsica, Réunion and Guadeloupe.

Products and Services

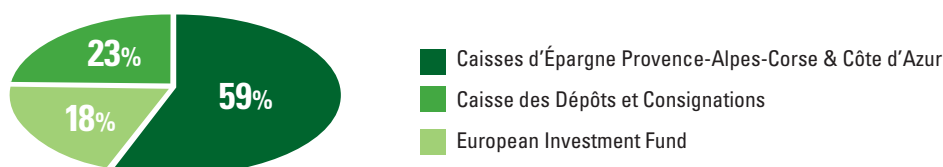
Créa-Sol disburses **microcredit for business creation**, takeover or initial development with amounts of up to €10,000 at 5% interest rate, for a maximum duration of 5 years; it also disburses **microcredit for personal purposes** aimed at fostering employment and social inclusion, which can have a maximum amount of €3,000 at 5% interest rate and duration of up to 3 years.

Adopted Approach

Créa-Sol is part of a multi-member microfinance network, including traditional banks that provide financial resources and business-support networks that provide advisory and monitoring services.

Funding sources

Current sources of funding come from loans contracted with *Caisse des Dépôts et Consignations* (CDC), the European Investment Fund (EIF) and *Caisses d'Épargne Provence-Alpes-Corse & Côte d'Azur*, as showed in the graph below.



Social Performance of the Institution

Define and monitor social goals

Créa-Sol's main goal is to fight against unemployment. To do so, it provides business loans and personal loans. Business loans allow microentrepreneurs to create their own jobs. Personal loans facilitate economic inclusion for individuals, for example through the financing of a car or training sessions. In 2014, 77% of business microcredit customers were unemployed before the intervention of the MFI. As regards personal microcredit, in the same year, 63% of the MFI's clients asked for financing to **facilitate their employment or mobility**.

Créa-Sol is also looking to help women overcome various difficulties. Its aim is to maintain a proportion of 50% of female clients. This rate was 56% in 2014 (women represent 38% of business project managers and 67% of personal microcredit borrowers).

Créa-Sol also focuses a significant part of its business on the Réunion island, which is affected by a **devastating social situation**. It has a very high poverty rate: up to 42%, compared to an average of 14% in the rest of the French territory and 17% in Europe.

Every month, Management members provide the Board with an account of the number of jobs created and the number of Réunion island clients. Each beneficiary undergoes a personal interview and all the data is saved in the MFI's information system.

In 2013, an extensive survey was carried out on the business loans portfolio and this survey will be conducted again in the second half of 2015. These surveys are discussed during board meetings and new possible directions are defined.

Ensure commitment to social goals

The Board is focused on the social purpose of tackling financial exclusion. The expertise of the Board members allows for open and constructive talks aimed at improving the way the MFI works. Even though the MFI does not yet have specific social criteria, social impact is already monitored. A financial incentive for employees is in place and represents a maximum 10% of the annual salary. It is calculated based on two criteria: production and level of risk.

Meet clients' needs and preferences

Créa-Sol works very closely with its partners and they give external feedback concerning client satisfaction. Beneficiaries can complain by email, telephone or through the website. A survey is also undertaken to ascertain beneficiary satisfaction. The MFI is working with its partners in order to reduce the administrative workload for their joint clients.



Créa-Sol CEO and Chairman
with Caisse d'Épargne, EIF
and EIB representatives

Time and distance are also very important for some project holders, so they sometimes have a joint first meeting with the client and the partner.

Treat clients responsibly

Créa-Sol is particularly attentive to the beneficiary's solvability. For personal microcredit, the MFI evaluates the amount of household resources, expenses, and resources available after accounting for all the compulsory expenses. These remaining resources must be above the poverty line to **avoid over-indebtedness**. Créa-Sol has implemented a scoring, which makes it possible to detect these situations and therefore make an informed decision. For business microcredit, the loan officers, who are all professionals in the field, lead an in-depth study of the project. They evaluate the sector's activity, business plan, financial details and project holder's entrepreneurial abilities and motivation; a final scoring enables them to make informed decisions.

Créa-Sol undertakes clear, flexible and fully transparent processes. The loans are granted at a fixed 5% interest rate, without other costs. An information system was designed to meet all challenges that a beneficiary could potentially face. In case of default, the MFI can reschedule the loan by suspending the repayment schedule or postponing deadlines, amongst others. Créa-Sol monitors its compliance with the **European Code of Good Conduct**. It tries to provide its borrowers with the best quality and most affordable services, at every stage of the relationship.

Treat employees responsibly

Some of the employees have been assigned to Créa-Sol by its parent bank, formed by the *Caisses d'Épargne* network, in the framework of skills sponsorship contracts. There is almost no turnover, given that the MFI's goal is qualitative rather than quantitative. Each year, loan disbursement forecasts are set with a qualitative objective, namely, control of the level of risk.

Balance financial and social performance

Créa-Sol's only goal is to have a positive impact on unemployment by helping people find a job or create their own jobs. Client well-being is a priority. The MFI monitors the number of applicants and financed projects for every partner, and it also hopes to improve its partnership with specialised structures (such as institutions working on business development services, and charitable organisations). Business plans include geographical development in other French administrative areas in order to help more unemployed people take advantage of the loans, with a goal to expand in a new administrative area every year.

Environmental Performance of the Institution

Créa-Sol does not have a written environmental policy. Nevertheless, it feels concerned by the activities that could harm the environment. Most of Créa-Sol's beneficiaries are artisans or storekeepers who contribute to the consolidation of social links and the promotion of a local economy.

Créa-Sol worked with municipalities to create "**solar villages**" in Réunion; through personal microcredit, it has partly funded photovoltaic panels and solar water heaters for households. Créa-Sol also takes actions to reduce its **ecological footprint**. For example, in its offices, it has installed an automatic lighting system that stays on when a presence is detected and a heat pump heating system. Moreover, it recovers and recycles used paper.



Scotcash

United Kingdom

Project Name

Financial inclusion in the community

Scotcash is a Community Development Finance Institution (CDFI) working in partnership with the Royal Bank of Scotland, Barclays Bank and other local community development institutions in order to improve financial inclusion for the population of Glasgow. The partners operate together to facilitate access to basic bank accounts, provide financial advice and disburse affordable loans to the most vulnerable.

INITIATIVE PRESENTED FOR THE AWARD

Brief description of the initiative

Scotcash is a Community Development Finance Institution (CDFI) which works **to reduce financial exclusion within Glasgow** by increasing access to basic bank accounts and affordable credit through personal loans, discounted household goods, access to credit union savings accounts and high quality financial advice.

Access to financial services in Scotland has generally improved in recent years. However, financial exclusion has remained persistent for some and it is most commonly linked with poverty and deprivation. According to recent statistics, 16% of Glasgow inhabitants have **no bank account**, which results in the most vulnerable individuals being unable to manage their money securely, gain access to other financial products, pay bills or get cheaper goods and services. There is a clear need to ensure disadvantaged groups have access to bank accounts to limit the negative impact of all the above. Scotcash catalyses and supports partners' aspirations, as its partner banks recognise that tackling financial exclusion is crucial to supporting their customers and improving access to an underserved market.

Scotcash provides access to basic bank accounts through partnerships with the Royal Bank of Scotland (RBS) and Barclays Bank. The **"Trusted Partner Status"** with the Royal Bank of Scotland allows Scotcash staff to open a bank account on the client's behalf without the need for them to visit a branch. Part of the "Trusted Partner Status" is the ability to be less rigid in identification requirements thereby making it easier for those underserved in the community to provide non-photographic identification documents (ID). Alternatively, Scotcash can offer a Barclays bank account via an integrated partnership arrangement. This then provides a gateway to other services such as affordable credit, money advice, savings accounts and financial capability support – all designed to help those on a low income make the most of their money.

Scotcash had to deal with various **challenging barriers** due to the scale of implementation. These included initial engagement with mainstream financial institutions and understanding of the overall vision for the project. The CDFI sought involvement from all major banks at the early stages of the project, but only the Royal Bank of Scotland expressed an interest and was subsequently incorporated as a full member of the company. This provided an innovative public/private partnership, a model that has attracted more interest from other mainstream providers, resulting in potential additional partnerships.

Congruence with the Award topic

The main private sector partnership is with the Royal Bank of Scotland. Her Majesty's Treasury and UK banks have agreed upon a shared goal, which is to make significant progress towards halving the number of adults in households without bank accounts. Scotcash is the vehicle that allows a **unique public/private partnership** to realise this shared goal and to contribute towards the overall needs of the financially excluded.

Evidence shows that through personal micro loans, Scotcash is reaching some of the most vulnerable citizens in Glasgow. A typical customer is a single parent, renting from a social landlord and reliant on welfare benefits as their main source of income. In addition, 95% of customers reside in areas with high levels of deprivation as defined by the Social Index of Multiple Deprivation.

Individuals without a bank account may open one within Scotcash itself, rather than having to go to a bank. The ability for Scotcash to **directly open bank accounts** is a key factor in the partnership's ongoing success. RBS has trained and empowered Scotcash staff to administer the opening of basic bank accounts. Service Level Agreements between the two institutions stipulate that any person who is unbanked and makes contact with Scotcash should have access to a working bank account within three days.

This public/private partnership is one of the initiative's unique selling points and is a good example of how to integrate services that promote access and target underserved groups effectively. To date, Scotcash has opened 2,344 bank accounts for those who were previously unbanked and excluded from mainstream financial services.

Innovation

A similar type of project has never before been attempted on this scale in the United Kingdom. A Social Enterprise that provides a holistic and **forward-thinking financial service** for its customers is unique within the UK Community Development Finance Institution (CDFI) sector.

The project has demonstrated:

- Ability to translate research into action in a very short space of time;
- Efficient public/private sector partnership;
- Proven financial benefits for the targeted client group;
- Holistic customer services based on robust research;
- The value of linking the provision of financial support to effective financial advice; and,
- The ability to be financially self-sustaining in the long term and capable of scaling up to include areas without Glasgow.



The Scotcash team

With clients primarily consisting of single parents, especially single mothers and people on low incomes, many have no experience of banks or bank accounts. This service attempts to remedy this problem by providing **financial capability advice**, which allows one to one training on how to operate a bank account and avoid bank charges. In terms of customer service, this means that customers do not need to access different services for their overall financial inclusion needs. If a loan is not a suitable option, money advice is offered in-house. If a customer needs a bank account or wishes to begin a savings habit, again this is provided in-house in a “one-stop shop” approach. It is through research into the experiences of other CDFIs that Scotcash was able to **address people’s inter-related financial issues**, rather than taking a narrow view of only providing access to affordable loans.

The project is adhering to robust monitoring frameworks implemented in partnership with the funders (such as Glasgow Housing Association, Department for Work and Pensions, Glasgow Community Planning Partnership) to ensure it becomes self-sustaining in order to meet its vast potential. Similarly, social impact analysis will be carried out by Sheffield University over a number of years to measure exactly how financial exclusion in Glasgow has changed as a result of this project. In the meantime, other local authorities, having seen the positive results, showed their willingness to implement similar projects in their own areas and thereby emulate what Scotcash has done.

Sustainability

Glasgow City Council has taken a number of significant policy and operational decisions around the theme of financial inclusion. It has established a strategic multi-agency group and five operational groups called Area Delivery Groups (ADGs). Each ADG consists of local money, debt and benefits advice organisations, law centres, credit unions and housing providers, coming together to work collaboratively on improving financial inclusion services for local people. Scotcash is an active participant in the ADGs and continues to provide a key mechanism for access to financial services for ADG member service users.

Each ADG has identified **access to affordable credit and bank accounts** as a key driver towards financial inclusion and a priority for local services, particularly in the context of welfare reform and the introduction of Universal Credit. Scotcash promotes the services within the local ADGs, ensuring that project delivery plans are clearly linked to wider local area action plans. The “Trusted Partner Status” relationship Scotcash has with the Royal Bank of Scotland is replicated across the city. This allows for an efficient and effective process for opening basic bank accounts **across local communities** in Glasgow. In addition, the initiative draws on the new relationship with Barclays Bank whereby a dedicated partnership is available to Scotcash customers to open bank accounts remotely. Discussions are currently ongoing with Lloyds Bank to establish a similar relationship.

By linking services that already exist together, there is less need for additional financial resources and therefore the model presented in the initiative offers sustainability by default.



A client receives advice on how to open and manage a bank account with Scotcash banking partners

Impact-Outreach

Bank accounts are a way of managing money securely, providing a gateway to other financial services, a means of paying bills and a way of getting cheaper goods and services. There are clear disadvantages of not having access to a bank account.

People without bank accounts have little option but to manage their money in cash, that can result in:

- Additional costs in paying bills in cash, e.g. being ineligible for direct debit discounts;
- Impediments in making payments for goods and services that cannot be paid for in cash;
- Obstacles in receiving payments, for example cheques, which may mean paying fees or inability to receive wages, which could act as a barrier to employment;
- Difficulty to spread the cost of bills throughout the year, leading for example to high winter spending on utility bills;
- Threats to security and protection, as keeping cash is more risky; and,
- Barriers to access other mainstream financial products and credit in particular.

There is a clear need to ensure disadvantaged groups have access to bank accounts to limit the negative impact of all the above. To date, as a result of the partnership with RBS and Barclays Bank, Scotcash has opened 2,344 bank accounts.

Scotcash has established a Project Plan that will allow identifying and monitoring of milestones, outcomes and indicators of good or bad results. The initiative measures and tracks the qualitative aspects of the project such as helping beneficiaries to stabilise their finances and improve their money management skills. 50% of beneficiaries complete an initial baseline questionnaire, which is then used in conjunction with an annual **follow-up questionnaire** to track and measure project impact. The initiative also engages 50% of project beneficiaries annually via **face-to-face interviews** using standard and consistent questionnaires. To maximise engagement success, this is undertaken with project beneficiaries who return to the project for an additional service, such as affordable credit. This survey asks questions around financial confidence, changes in behaviour, improved budgeting skills and financial resilience. This information forms part of the overall project annual monitoring framework. The initiative's staff liaises with the banking partners to monitor and track the number of accounts opened on a daily, weekly, monthly and quarterly basis, through monitoring information systems already used by the partners.

Replicability

This type of model could be replicated in other settings, for example through employability initiatives or where there may be touch points with those who are unbanked. The model is simple and, with willing partners, could be a cost-effective way of engaging with those who are excluded by mainstream financial services. The initiative could be emulated in different settings and contexts, for example, integrated into generic financial advice and debt advice.

In order for the initiative to be successfully implemented by other providers, the following determining factors would apply:

- An agreeable credit union or bank partner to **offer a saving account** as part of loan repayments;
- An agreeable bank partner to **offer bank accounts** (including business bank accounts where appropriate) for customers;
- A supportive financial inclusion sector who will **help promote and actively support the service** by forwarding other clients to the service or accepting new clients from it.

Client success story **A bank account for John**

John first came to Scotcash to open a bank account with RBS to be able to pay his housing benefit. He did not have proper ID and therefore could not open the account at that time. John suffers from severe depression and he was feeling very low, so he did not try to get sufficient ID. He did not even attend a medical examination at the Department for Work and Pensions (DWP) and this resulted in a suspension of all his state benefits, including a subsidy for housing expenses.

Fortunately, John had some savings and he used them to live on and to pay his rent. When his savings were down to £7.50 (approx. €10.5) he came back into the office to see a Scotcash staff member. He still did not have sufficient ID to open a bank account, but Scotcash was able to get a crisis loan of £70 (approx. €98) for him and the letter he received from DWP confirming this payment was used as part of his ID. Scotcash also succeeded to get his state benefits reinstated and John was finally able to open his bank account. John now has access to financial products he was previously unable to consider and has stabilised his finances.

INSTITUTIONAL PROFILE

History

The aim of Scotcash is to challenge financial exclusion and offer access to financial products and services that would otherwise be difficult to obtain. Scotcash offers a direct alternative to doorstep lending, illegal money lending, and other expensive forms of credit whilst providing **holistic financial inclusion services**. This CDFI opened its doors in 2007 in Glasgow city centre. Since 2008, it has received various rewards from UK institutions, such as the Guardian Public Service Awards, the COSLA Excellence Awards and a £1 million Funding Award from the Big Lottery Fund.

Mission

Scotcash is an independent Community Finance Organisation, contributing to a reduction in financial exclusion by increasing access to affordable loans, basic bank accounts, high quality money advice and other financial products. Its **CREDO** is: "In carrying out our objectives, we treat our business, our staff and our clientele with **Care** and **Respect** while striving to continually **Educate** ourselves and others. We will engage with a **Diverse** population, creating **Opportunity** and a chance for self-improvement".

Its vision is to challenge financial exclusion by embedding its services in local communities and giving citizens the advice, products and services they need to put them in control of their finances.

Governance Structure

Scotcash is led by a strong **Board of Directors** with direct experience in the financial sector, extensive social regeneration experience and sound financial management skills. The Board is composed by seven Directors who represent four Scotcash partners (RBS, Wheatley Housing Group, ng homes and Glasgow City Council). Scotcash is regulated by the Financial Conduct Authority (FCA) and Community Interest Company (CIC) Regulator.

Organisational Structure

Scotcash has a staffing complement of 16 Full Time Equivalent (FTEs) and will increase this over the next four years of its business plan. The institution has 10 front office staff and 6 back office staff. Back office staff forms the **Senior Management Team** (SMT) and are responsible for the strategic and operational delivery of the organisation.

Outreach Achievements

	Dec. 12	Dec. 13	Dec. 14
Active Borrowers	1,249	1,300	1,944
Women	73%	58%	71%
Migrants	n.a.	n.a.	n.a.
Youth	n.a.	n.a.	n.a.
Rural Clients	n.a.	n.a.	n.a.
Clients Below Poverty Line	60%	60%	60%
Active Savers	385	449	535
Women	72%	71%	73%
Migrants	n.a.	n.a.	n.a.
Youth	n.a.	n.a.	n.a.
Rural Clients	n.a.	n.a.	n.a.
Clients Below Poverty Line	60%	60%	60%
Loan Portfolio	€592,158	€582,727	€1,044,308
Average Loan Amount Disbursed	€633	€579	€581
Number of Branches	2	3	4
Number of Staff	7	11	15
Number of Credit Officers	3	5	6
Client Drop-out Ratio	4%	4%	4%

Financial Achievements

	Dec. 12	Dec. 13	Dec. 14
Portfolio at Risk ¹	4.13%	5.75%	4.5%
Write-Off Ratio	4%	4%	4%
Portfolio Yield	32%	46%	61%
Debt to Equity Ratio	0.5	0.5	0.5
Operating Expense Ratio	53%	63%	63%
Cost per Borrower	€250	€284	€341
Staff Productivity	178	118	129
Return on Equity	29%	29%	29%
Return on Assets	8%	12%	29%
Operational Self-Sufficiency	93%	108%	97%

¹ PAR 30**Target Clients**

Scotcash targets those on low incomes who have extremely limited financial resources and are often ignored by the mainstream financial sector. A typical customer is aged under 35, living with young children, in rented housing and on a low income.

Geographical Area of Operation

Scotcash operates within a 25 mile radius of Glasgow, covering the wider Glasgow area as well as most of the central belt of Scotland.

Products and Services

The main product is **microfinance loans**. These are personal loans with an average value of £484 (approximately €670) over 40 weeks which are provided to those who are unable to access credit elsewhere. The institution also offers **access to basic bank accounts**, which offer transactional services e.g. direct debits, standing orders, etc.; and it can provide a customer with access to a credit union savings account. Scotcash also offers an **advice service on debt issues** and can assist its customers to deal with unmanageable debt as well as help where there may be issues of financial capability. Other services concern **advice on energy efficiency and utility payments** and, if the institution is approached for a loan in a situation where a customer is destitute, it can provide access to an emergency food parcel and provide advice to resolve the situation.

Adopted Approach

Over half the population in Scotland find it difficult to make ends meet and there is a significant need to help reduce the “poverty premium” paid by those most vulnerable. Scotcash exists to meet that need. The partnerships help deliver integrated services and include a wide range of organisations. This approach will continue to be at the heart of Scotcash operations, and it will look to build new and stronger partnerships not only to help as many people as possible, but also to raise awareness of the economic and social impacts of financial exclusion.

Funding sources

Scotcash funding sources are diverse: **Glasgow City Council** provided funds for money advice services; **ng homes**, a social housing association, provided economic resources to support the employment of a loan officer; **Big Lottery Fund** agreed to finance community based outreaches over four years from 2013/14.

Social Performance of the Institution

Define and monitor social goals

Scotcash has established **four strategic themes** to help shape its business and set its objectives, activities and key performance over a four-year plan. These priorities have been informed by an external analysis of the political, economic, social and technological factors. Its **social goals** are to improve the access and range of key financial products available to financially excluded households.

The typical **demographic of the market** where Scotcash operates in falls into six main groups: unbanked; social and private rented sector tenants; older people; people with a disability or long-term illness; one-parent families; minority ethnic groups.

Scotcash regularly collects and records data in order to check progress as well as carry out evaluation to assess the changes made. For example, in order to evaluate whether financial management and stability have improved because of its advice, Scotcash monitors the number of individuals undertaking a financial health check. Scotcash reports outcomes internally, at board level and within external evaluations.

Through the **indicators** listed below, Scotcash is able to demonstrate that is achieving its goals:

- Number of unbanked clients opening a bank account;
- Households that have completed budgeting plans;
- Households that have their debt rescheduled;
- Households that report a reduction in financial stress; and,
- Households that report improved financial circumstances.

Ensure commitment to social goals

All board members receive Induction Training and must demonstrate the skills required for strategic oversight of a community finance provider and within the financial inclusion sector. The skills and experience provided by the board coupled with local knowledge and an appreciation of the wider policy environment related to anti-poverty help develop the strategic direction of Scotcash at board level.

All senior managers and staff are evaluated annually through pre-defined performance criteria. No incentive mechanisms are implemented and fixed salary scales are applied.

Meet clients' needs and preferences

Scotcash undertakes regular **client satisfaction surveys** with existing customers to establish satisfaction with the service as well as to receive feedback on product design. This is undertaken throughout the year by telephone and face-to-face.

Information generated via customer survey and feedback process is used to review existing products and delivery models



Scotcash CEO and Deputy CEO at work

and channels. Examples of the use of the information collected include delivery of new services within local communities to improve access and extending service channels to include online applications.

Treat clients responsibly

Applicants need to demonstrate their ability to service the loan over its full term. This involves establishing the **customer's ability to repay** both now and in the future within any foreseeable change of circumstances during the term of the loan. Scotcash requests financial statements or supporting documentation that will reasonably assist in the lending decision.

Marketing practices include promotional material that is tested with non-experts and compliance experts and is clear and transparent.

Sales process and advice include product training for staff, appropriate sales channels and checking of customer understanding.

Treat employees responsibly

Scotcash undertakes **bi-annual staff satisfaction surveys** and reports to the Board of Directors any remedial action. It also monitors employee turnover, again reported to the Board of Directors, and seeks feedback from leaving employees in the form of a questionnaire.

Balance financial and social performance

Scotcash has developed a four-year business plan to **establish the key metrics** required to meet its objectives. This includes growth rates in loan targets linked to financial sustainability with progress monitored regularly and reported to the Board. The institution also seeks to undertake client surveys on every occasion, which includes feedback on how its services have affected client's health and wellbeing. It leads and **participates in independent studies** aimed at measuring stated outcomes and objectives as well as understanding its impact on tackling financial exclusion. For example, a study carried out by Sheffield University found that Scotcash has been one of the most successful UK institutions seeking to ease financial inclusion amongst low-income people in urban areas. By the standards of other CDFIs, growth has been very rapid and targeting on the poorest areas, at well over 90%, has been outstanding.

Environmental Performance of the Institution

Even if Scotcash does not have any specific environmental financial products or non-financial services, it and its main partners have **environmental sustainability policies**, which work to achieve the vision of "Sustainable Glasgow" and the city's Climate Change Strategy. One of the key objectives is to contribute to reducing health inequalities by addressing the negative health impacts of climate change, in particular for groups such as those living in poverty.

The initiative proposed for the Award fits well with the aims and objectives of these major initiatives. The project will **address environmental issues** in the following ways:

- Utilising local facilities to reduce the need for travel and thereby carbon emissions;
- Undertaking promotional activities through existing events in local communities reducing the need for additional travel by potential project beneficiaries;
- Providing access to services through existing locations thereby limiting the need to hire accommodation resulting in extra heating and lighting;
- Developing marketing leaflets/posters on recycled materials where appropriate and exploring social and mobile media to advertise events and activities;
- Promoting energy awareness through advice, which will include solutions to fuel poverty through energy saving;
- Building project beneficiaries' knowledge and awareness of environmental issues by collaborating with environmentally friendly associations active in the local community;
- Using efficient information management systems that reduce the need for paper files and encourage electronic storage of data;
- Recycling all paper where possible to avoid un-necessary waste; and,
- Adopting existing Scotcash policies related to energy awareness and efficiency.

Acronyms & Abbreviations

ADG	Area Delivery Group
ASM	Adie Social Microfranchising initiative
CDFI	Community Development Finance Institution
CEO	Chief Executive Officer
DWP	Department for Work and Pensions
EIF	European Investment Fund
EMN	European Microfinance Network
ID	Identification Document
JASMINE	Joint Action to Support Microfinance Institutions
LMFOA	La Microfranchise O ₂ Adie
MFC	Microfinance Centre
MFI	Microfinance Institution
NACRE	<i>Nouvel Accompagnement à la Création et Reprise d'Entreprise</i> (New Support to Business Creation and Recovery)
PCE	<i>Prêt à la Création d'Entreprise</i> (Credit for Business Creation)
RBS	Royal Bank of Scotland
RSD	Serbian dinar (currency)
SG Bank	Société Générale Bank
UK	United Kingdom
USAID	U.S. Agency for International Development

Giordano Dell'Amore Foundation has collaborated with the European Microfinance Network since 2009 to present the *Giordano Dell'Amore Microfinance Good Practices Europe Award*. This initiative, now in its seventh edition, was conceived to increase understanding of the importance of microfinance and financial inclusion, and to promote and spread good and transferable practices among European microfinance practitioners. For this purpose, the present publication describes the experiences of the 2015 Award finalists and the 2014 Award winner.

The topic of this edition of the Award, in accordance with the 12th European Microfinance Network Annual Conference 2015, aims to emphasise the opportunities originating from partnerships between microfinance institutions and banks or alternative financial institutions in order to reach a greater number of people who are excluded from the mainstream financial sector, and to expand access to quality financial services.

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