



# Initiative France

## Project Name

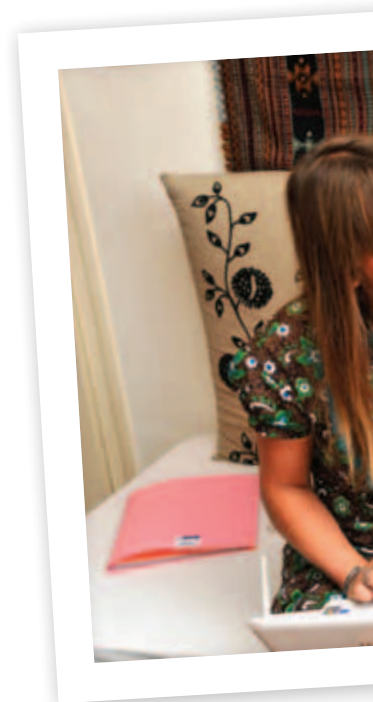
**Initiative France: a pioneering, different and successful way of handling microcredit.**

## Initiative Presented for the Award

Initiative France presents its approach to microcredit: it combines local human and financial resources with the aim of mobilising the solidarity of members of the same local community in order to promote its economic development. Consistent with its mission, it offers a personal microloan, “loan on trust”, with zero interest rate, unsecured and free of charge, complemented by human and technical assistance such as business plan elaboration, networking, coaching and monitoring. The “loan on trust” aims to facilitate access to bank loans, not only by increasing the entrepreneur’s own cash input but also by promoting trust and local solidarity. Moreover, the platforms’ know-how and expertise represent an element of reassurance and comfort for the banks leading to an important leverage effect on the banks’ credit portfolio: in 2011, the €154 million granted by platforms were complemented by bank loans amounting to €979 million.

Type of organization:.....	NGO
Location:.....	France
Founded in:.....	1985
MF products offered:.....	Microloans
Portfolio:.....	€243,400,000
Av. Loan size:.....	€8,100
Number of clients:.....	48,430

[www.initiative-france.fr](http://www.initiative-france.fr)



## Institutional Profile

Young SME entrepreneur and her coach



Participants to University 2010  
organized by Initiative France



### History

Initiative France is a non-governmental organization founded in 1985 with the mission to support individuals lacking access to bank loans to create/develop their own business, usually micro or small and medium-sized enterprises (SME), and to build a sustainable environment of SME, playing an active role in the economic and social development of the community.

### Structure

Initiative France is a federation of 238 local voluntary organisations called "Platforms", covering the whole country. Members of local platforms include local authorities, chambers of commerce, banks and company representatives. The Loan Approval Committee to which beneficiaries present their SME project is composed of volunteers and combines a variety of skills and expertise. All the platforms operate in the same way, by disbursing free of charge a personal and uncollateralized zero-interest microloan, the "loan on trust", and by offering technical and human support throughout the project life cycle and the loan term. Actually the coaching and tutoring services are granted through the commitment of more than 14,200 volunteers.

### Governance Structure

Initiative France's governance is decentralised. There is a Board and Governing body managed at the federation level, however each one of the 238 platforms is a local independent and autonomous voluntary organisation, anchored in its own territory, with its own funding sources, its own Board of Directors, its own Loans Approval Committee, its own employees and volunteers.

### Target Clients and Operational Area

Initiative France operates throughout the whole country. The beneficiaries are women or men wishing to create and/or develop a SME but prevented from doing so by lack of access to a bank loan. This exclusion from bank credits and services often exacerbates lack of self-confidence and feelings of loneliness and isolation. Initiative France approach not only supports them financially and socially, but also draws banks' attention and know-how to the SME projects. Initiative France facilitates not only their inclusion into the traditional banking system as such but, more importantly, their integration into the local socio-economic community.

### Products and Services

Initiative France addresses the needs of its target market through the offer of the "loan on trust": it is a personal micro-loan amounting to a maximum of €25,000, granted at zero interest, for which no guarantee or collateral is required, and is free of charge. The disbursement of the loan is coupled with non-financial services: Initiative France supports its clients throughout the life cycle of the project and until loan maturity (36 months on average) with human and technical assistance: welcoming, help in building the business plan,

networking, coaching and mentoring. In order to make the support highly personalized and responsive to the target's needs, a coach is usually assigned to each beneficiary.

## Funding Sources

Loans on trust and operational costs are funded through subsidies and grants from:

- National Government;
- Local authorities;
- Public agencies;
- Banks;
- Private Companies.

Young SME entrepreneur and his coach



Initiative France beneficiary:  
Ndella Diakhate - Manager of Nett' Bio

### **Nett' Bio: Values and Acts**

More and more Initiative France platforms are dealing with social and green business projects, such as that of Ndella Diakhate. The goal of her company, Nett' Bio, is to propose an alternative to chemical cleaning, offering 100% ecological products that are respectful of both health and environment. One of the Initiative France platforms - Plaine Initiatives - helped Ndella Diakhate with a €10,000 loan. "Nett' Bio, this is values and acts" states Ndella Diakhate. Indeed, her commitment is also social since she hires excluded people, with low qualification levels, thus giving them the opportunity to seize their chance. The best result obtained is in terms of "human capital": nine women and men were hired in less than one year, to whom Ndella offered coaching and training in order to increase their commitment. Ndella Diakhate pays attention to her employees working conditions trying to improve them through monthly meetings. After the Prize Development in urban zone received from Plaine Communes Promotion, last year she won the €5,000 Initiative France "Be entrepreneur, Cities and Neighbourhood" Award. For her, this is a reason to feel proud: "This is always welcome for a micro enterprise and this is the recognition of my project - in a male environment. This award enables me to keep going forward. Even though, in the services sector, the best award is the daily satisfaction witnessed by our clients".

# Selection criteria

## Innovation

The main innovation of the Initiative France approach resides in the driving factors in the process of loan disbursement: loans are in fact trust-driven instead of return-driven. It must be underlined that the gratuity of the loan does not represent a charitable act but an economic investment, since this feature attracts many volunteers and the beneficiaries themselves join the platforms, thus reducing operating costs. Another innovation consists of the leverage effect vis-à-vis the banks that become less negative towards SMEs thanks to the established partnership and the trust in the Initiative France platforms. Moreover, the adoption of decentralised governance allows the use of local resources to be optimised. Initiative France also has an innovative concept of sustainability since it adopts a different perspective, which is less based on financial income and operating revenues and is focused on the return from local social and economic development.

## Sustainability

The sustainability of Initiative France's approach is guaranteed in the first place by the constant and sustainable access to funding sources: financing partners are remunerated by the positive external results generated by the creation of SMEs. These economic and social returns are given by increased employment, consumption and fiscal revenues while decreasing social and fiscal expenses. For the banks, Initiative France enlarges their client base, increases their portfolio and decreases operational costs. Other factors contributing to sustainability are the involvement of thousands of volunteers, which allows the operating expenses to be kept in check, and the limited loan loss, only 1.9%, reached through proximity with beneficiaries.

### Financial Achievements

	Dec 09	Dec 10	Dec 11
Portfolio at Risk	n.a.	n.a.	n.a.
Write-off Ratio	1.6%	1.9%	1.5%
Portfolio Yield	n.a.	n.a.	n.a.
Debt to Equity Ratio	n.a.	n.a.	n.a.
Operating Expense Ratio	17.17%	20.11%	18.79%
Cost per Borrower	€827.41	€962.10	€944.72
Staff Productivity	75.45	74.80	77.61
Return on Equity	n.a.	n.a.	n.a.
Return on Assets	n.a.	n.a.	n.a.
Operational Self-Sufficiency	n.a.	n.a.	n.a.

## Impact – Outreach

Indeed, Initiative France has a significant economic and social impact on the territory where it operates. In 2011 it helped 16,000 persons, mainly men and those unemployed for less than a year, to create or develop their businesses which in turn allowed the creation or maintenance of 35,364 jobs, most of which came from start-ups. Through coaching and tutoring, Initiative France also succeeded in increasing the sustainability of SMEs after three years relative to the national average: the rates of survival are respectively 85% and 66%. In addition, "loans on trust" and tutoring have a leverage effect on bank loans, increasing banks' investment portfolio and client base, thus increasing local investments.

### Outreach Achievements

	Dec 09	Dec 10	Dec 11
Active Borrowers	46,100	47,500	48,430
Women	34%	34%	35%
Migrants, Minorities	n.a.	n.a.	n.a.
Youth (*)	23%	24%	23%
Rural	n.a.	n.a.	n.a.
Below Poverty Line (**)	19%	19%	19%
Average Disbursed Loans	€7,800	€8,000	€8,100
Portfolio	€222,100,000	€227,200,000	€243,400,000
Number of Branches	249	245	238
Staff	611	635	624
Loan Officers	n.a.	n.a.	n.a.
Drop out Ratio	n.a.	n.a.	n.a.

(\*) Less than 30 years old

(\*\*) Unemployed for more than one year

## Replication

In 27 years, Initiative France's first platform has been replicated more than 240 times within France, and now covers the whole country: the relevance and sustainability of its core values and methodology were highlighted throughout the different crises faced by the French economy; especially today while facing one of the worst unemployment and credit crunch scenarios. Replication also occurred abroad, in Morocco, Burkina Faso and Romania. Other platforms will also be implemented in Tunisia, Ivory Coast, Quebec, Portugal, Luxembourg, Germany and Belgium. The model is adapted to the local context and particularities, for example reluctance of banks, scarcity of credit, excessive interest rates, unemployment rate, exclusion, lack of human and financial resources, etc.