

SODEBUR MICROCREDIT FACILITY

The Society for the Development of the Province of Burgos (SODEBUR)

Objective of Good Practice:

Establishment of a successful partnership between a public authority and a business incubator specialized in the delivery of microcredit to support start-ups, unemployed people and rural development in Burgos Province.

Timeframe of Good Practice:

2013- Ongoing

Keywords:

Partnership in the delivery of microloans

Overview of Good Practice

After the Global financial crisis, credit facilities were very limited in the traditional Spanish financial market and even more complex in rural areas. As a result, a partnership between SODEBUR (Provincial Governmental Agency) and CEEI Burgos was developed to offer rural entrepreneurs credits under EUR 25,000 without the need for a guarantee and at favorable interest rates (1,5%-3%). This product is exclusive to the Burgos region, which has 361,021 citizens and intends to reduce youth migration to other large Spanish cities.

CEEI Burgos designed the features of the product in line with the social objectives pursued by the public organization, SODEBUR, that in 2013 allocated a budget of EUR 125,000 for the disbursement of microloans. Public funds from the province are used by CEEI Burgos, who are in charge of loan management.

After receiving the loan application, CEEI Burgos loan officers analyse the proposal and schedule an on-site visit to entrepreneurs. Once the assessment of the client's project is complete, the file is presented to the credit committee, which is composed of SODEBUR representatives, Burgos Chamber of Commerce, Burgos Young Managers Association, Burgos Federation of Business Associations and the Provincial Government of Burgos to ensure that social objectives set by the partners are met. After the credit decision, CEEI Burgos contacts the entrepreneur to notify them of the decision and do any necessary follow-up.

In the framework of the partnership, microloans are directly disbursed by the financial unit of SODEBUR, who also monitors the repayment of the installments and liaise with the loan officer in case of problems. The management and follow-up of the operation is carried out by CEEI-Burgos.

Thanks to the success of the partnership, the budget available to CEEI Burgos for the disbursement of microloans increased from EUR 125,000 in 2013 to EUR 800,000 in 2016. Funding has been increased due to proper risk management and the re-investment of the interest revenues.

Innovativeness

The common goal of two organizations led to the success of the collaboration between a province agency and a partner specialised in the provision of microloans. Rather than disbursing funds as a subsidy, the Province agency instead provides capital for the loans and works in cooperation with a microcredit provider to design a sustainable program with favourable conditions for the final beneficiaries.

Institutional profile

The Society for the Development of the Province of Burgos (SODEBUR) works to promote social and economic development in the Province of Burgos. It is a Limited Society entirely owned by the Burgos Provincial Government. Together with the Centro Europeo de Empresas e Innovación de Burgos – (CEEI Burgos) which is an Incubator or Business Centre where they provide assistance in the support and implementation of business projects emerging from the entrepreneurial spirit of the citizens of Burgos, whether they involve companies or self-employed people.

Type of Organization

Public Body

Country

Spain

Products & Services provided

- Financial: Business microloans.
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- Non-financial: None.

Gross Loan Portfolio

N/A

Number of clients

N/A

Target Audience

Rural population, Urban Population, Entrepreneurs.

Organization Website

<http://www.sodebur.es/es/burgos/>

Efficiency and Sustainability

CEEI Burgos committed to periodically report to SODEBUR on the performance of the portfolio and social goals. This is done during at every credit committee.

In the current partnership, SODEBUR did not fix a target in terms of number of loans that need to be disbursed annually by CEEI Burgos. The Province is available to augment the budget according to the needs and demands observed in the field.

Given the current portfolio quality and scale of operations, the current low interest applied by CEEI Burgos which is a non-profit institution, ensures the operational sustainability of the program. In addition, thanks to the innovativeness of the risk assessment, the program has an extremely low PAR30 (1,21% in 2016) which secures the sustainability and efficiency of the programme.

Outcomes

From its inception in January 2013 to June 2017, 120 applications were received, of which 59 loans were approved in the amount EUR 1,097,354. The region of Burgos has 361,021 citizens and a considerably lower unemployment rate of 10% compared to the rest of Spain (18%).

In terms of social outcomes, the microloans disbursed generated 43 new jobs with a 100% survival rate of the projects. The total leveraged investment amount to EUR 1,515,826 (Overall investment of the projects supported). The main activities funded are automotive workshops, restaurants and bars, logistics, farming and rural hotels.

Funds allocated for microfinance by SODEBUR have increased 6.4 times in the four years since programme inception. Proper due diligence in the management of the funds and the decision to invest rather than issue grants has allowed the possibility to generated a financial return and recycle the capital.