

PEER TO PEER EXCHANGE VISIT FROM CP'AC TO DMI

Objectives of the visit

The microfinance market in Spain was developed between 2002 and 2008 through the “Cajas de ahorro” social funds. These institutions disappeared during the last few years as a consequence of the financial crisis along with their social funds and their microfinance programs.

Now the Spanish microfinance sector has one great operator, Microbank, with a totally banking model, and a few private and non for profit institutions, like CP'AC, managing small microfinance programs with low social impact.

In Spain there are 6.000.000 unemployed people without expectation of being contracted in the next few years: self-employment and emigration are their chances. This is the reason why everybody assumes that promoting access to finance is one of the key factors in getting out of the crisis situation and creating jobs again, especially through entrepreneurs and microenterprises.

CP'AC is leading a new microfinance cooperation model in Catalonia, involving public and private participants, aimed at promoting access to finance for entrepreneurial activities and looking to have a high social impact.

The visit was aimed at getting to know and understand the German Microfinance Model as a good practice in the cooperation between public and private sectors to lead and grow the microfinance sector in a western and developed country.

Visit

The visit was organized, in the framework of the European Microfinance Network Peer to Peer Program, in a two days seminar in the Deutsches Mikrofinanz Institut (DMI) headquarters in Offenbach on 30th and 31th October 2012.

The trainers were Brigitte Maas and Jochen Bloss, two senior consultants with a long experience in working with the German Microfinance Model and collaborating with the DMI.

CP'AC was represented by Albert Colomer and Guillem Arís, the management team, and they were accompanied by two representatives from the Catalan Government.

The subjects of the seminar were:

- Development of the system. Pilot projects. Equal experience.
- Presentation of the different participants:
 - o Mikrokreditfonds Deutschland
 - o GLS Bank
 - o Microfinance Institutions (MFI)

- Deutsches Mikrofinanz Institut
- Distribution of tasks and responsibilities. Contracts and documents.
- Distribution of costs, risks and liabilities. Item fees and gratifications.
- Advantages and disadvantages of the system.
- Legal basics of credit provision. Cooperation with the bank.
- Overview of MFI accreditation process.
- Concrete operational and process sequences of loan provision.
- Short overview of risk management and benchmarking.
- Challenges.
- Discussion on implementation of the model in Catalunya.

Lessons learned from the German Microfinance Model

The visit was very useful to understand how different organizations with different approaches and backgrounds can work together developing a model to promote the growth of the microfinance sector and being an international reference.

Specifically, the main learned lessons were:

- Work in a cooperation model involving different organizations around the country to promote a higher social impact with microfinance programs.
- Create a multiparty partnership to allow each organization to develop the activities in which it is specialized, promoting the efficiency and quality of the system.
- Use the European Social Fund to create a public guarantee fund to lever up risks and promote the microfinance sector.
- Share decisions and risks to insure all the partners are working in the same way with complementary approaches.
- Share incomes and costs to give incentive to the participation of the microfinance institutions under a responsible basis and to promote the long term sustainability of the model.
- Develop the model testing it through pilot experiences, strengthening trust between the partners and learning together.
- Implement an accreditation process and a quality management system to ensure continuous improvement in each microfinance institution.

- Create an organization like the DMI to represent the interests of the microfinance institutions and to promote benchmarking and exchange of good practices between them.
- Share common metrics in order to monitor advances in terms of financial figures and job creation.
- Make flexible the model to facilitate to each microfinance institution adapt it to their approach and to the needs of the target group
- Finance start-ups and existing companies with the same system in order to maintain the quality and sustainability of the portfolio.
- Develop a dissemination campaign at national level to promote microfinance and release the cooperation model.

How to adapt the learned lessons in Catalonia

The visit was very helpful in advising the representatives of the Catalan Government of the need to develop a cooperation model to promote microfinance in Catalonia.

The lessons learned will allow CP'AC to go ahead designing a new cooperation microfinance model in Catalonia and create a partnership with the Catalan Government, with a commercial bank and with different organizations interested in being involved.

CP'AC is already working in this way, dealing with the employment and financial departments of the Catalan Government, with one of the most important and solvent Spanish banks, and with different institutions involved in business development services working with entrepreneurs and microenterprises.

Our plan now is:

- Advise the Catalan Government to replace subsidy policies to promote self-employment through access to credit policies, to lead the new cooperation microfinance model and to link it with the existing business development services financed with public funds, focusing on job creation.
- Promote the creation of a public guarantee funded by the Employment Department of the Catalan Government, managed by the Financial Department or/and the bank, and using the European Social Fund or the European Progress Microfinance Facility.
- Deal with the bank in its participation in managing the financial activity, and involving it with the Catalan Government in designing the feasibility of the model, developing the process flow, writing the documents and contracts, and establishing the different parameters and variables.
- Develop a pilot experience in 2013 lead by CP'AC to test the model, learn about and prepare a next roll-out in other organizations.

- Identify and involve different organizations to participate in the cooperation microfinance model, assuming the microfinance institution role, and the consequential risks and liabilities, in the roll-out phase.