



GOOD PRACTICES - CASE IDENTIFICATION /1ST LEVEL ANALYSIS

KIZ SINNOVA Gesellschaft für soziale Innovationen gGmbH

1. Good Practice title: Loan Committees

Please try to identify 10 good practices from the following categories:

A committee of different regional stakeholders taking the loan decision ensures the quality of the decision making process. This is especially useful when public investors cooperate with private organizations. It also brings together stakeholders from divers backgrounds, which ensures portfolio quality and low defaults. Social aspects can be taken into consideration more easily. The cooperation in a committee has the potential to strengthen the cooperation of different stakeholders and facilitates anchoring of regional support schemes for entrepreneurs.

2. Territory of implementation/application (country/region/...)]

Loan committees have been successfully implemented in different cities across Germany. They are especially useful when a specific disadvantaged target group is addressed or when providing loans in disadvantaged areas. Setting up a jury with representatives from divers backgrounds is important to ensure objective loan decisions. Especially MCPs also providing non-financial services such as coaching and training to borrowers cannot be objective all the time. It is very important that the jury should not primarily approve or reject a loan but also be able to provide comprehensive feedback and strategies to overcome difficulties the entrepreneur may encounter.

3. Timeframe:

year of introduction:

year of termination:

(leave 0000 if ongoing)

4. Brief description of the promoting organization:

Loan committees were implemented by KIZ to enable local actors, who do not have the necessary background in entrepreneurship and microfinance, taking good loan decisions. Such a decentralized approach should be considered when defaults are covered by different (regional) partners or different actors from diverse backgrounds are involved. This approach encourages a different view on loan applications and makes use of different expertise and backgrounds. The Social Business Women project cooperates with different delivery partners. Not all delivery partners have a banking background or experience in providing loans to start-ups. To this end a loan committee of 10 persons



has been set up with representatives from:

- local politics
- local businesses
- entrepreneurs
- administration
- job agency
- banks
- project partners

An equal distribution between female and male members is preferred.

The loan committee demonstrates know-how and experience in:

- local job market
- financial services
- pedagogics, psychology
- law and regulations
- tax regulations
- consultancy
- administration
- regional business development services

5. Main objective of the initiative:

Objectives:

- approve/reject loan applications
- support MCP to make better loan decisions
- provide detailed feedback
- bring stakeholders from diverse backgrounds together to anchor microloan program locally
- combine non-financial and financial services for entrepreneurs
- provide contacts/access to professional networks to support entrepreneurs

6. Brief explanation of the initiative:

The different members of the loan committee bring together a set of different expertise and perspectives and have comprehensive (labour) market situation expertise. Therefore the committee is able to evaluate business ideas. The broad representation of diverse backgrounds allows for comparing business ideas with current and future economic, social, cultural and political trends, challenges and demand in a way that innovative business ideas and potentially successful niches



can be identified and supported.

7. Target group and measures to involve the target group:

Female entrepreneurs are more risk averse than their male counterparts. Therefore, dedicated microloan programmes to support female entrepreneurs successfully ask for a different form of loan decision and support. However, loan committees should not only focus on assessing and evaluating the loan application and the entrepreneurs but also provide detailed feedback on the business idea, opportunities, risks and topics for improvement.

8. Innovativeness:

The cooperation of different stakeholders and actors combining different sets of expertise and perspectives is especially useful when it comes to supporting start-ups and entrepreneurs from disadvantaged target groups. Beyond ensuring low defaults and portfolio quality a broader task for the committee ensures stakeholder involvement and a high level of support for entrepreneurs. SBW's loan committee is especially asked to not only evaluate a business plan but also consider other criteria such as personal and entrepreneurial skills and mind set.

9. Outcomes:

The outcome should not be measured in default rates or portfolio yield. The most important outcome is to cooperation of different stakeholders who are willing and able to support entrepreneurs beyond the loan assessment and approval.

Whenever different investors from the public and/or private sector are involved a loan committee ensures a high level of decision-making and underlines that MCPs are considerate and careful when it comes to loan provisioning.