

FINANCIAL INCLUSION TO FOSTER JOB CREATION

A CASE STUDY ON
MADRID

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"Part of the mission of any financial institution should be to promote financial inclusion. The social and economic benefits of reaching the unbanked are enormous: greater financial security and economic opportunity for low-income people and expanding markets for the entire world"

Vikram Pandit, Citi CEO, 2011

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SPONSOR'S FOREWORD

To create new business opportunities and address rising unemployment, we need to find imaginative solutions to stimulate growth and job creation with limited resources. One part of the solution is that in the present environment perhaps micro and small enterprises can create more jobs than any other sector in the economy. Access to funding and financial services targeted to micro and small enterprises is critical to ensure that entrepreneurship can thrive and drive employment opportunities.

Citi works globally with partners and clients to address financial inclusion through its businesses, community development and foundation's work. In this report, Citi Microfinance is sponsoring Nantik Lum in its objective to stimulate microfinance and the growth of small enterprises in Spain. The report highlights the importance of small businesses as economic and job creation drivers in the Spanish context. Drawing from US and German experiences, it presents some examples of successful partnerships, business models and institutions focused on providing funding and support for small enterprises to succeed. Finally Nantik Lum's recommendations propose some actionable steps to foster, inclusive job oriented, economic growth. This objective is built on engaging private and public institutions and civil society within a dedicated supportive regulatory framework.

While New York and Madrid are examples of major global cities that are large financial, corporate and government centers, both cities also recognize the critical contributions made by new entrepreneurs and small businesses to the economy. We hope that these case studies will contribute to the debate on the importance of small businesses for economic growth, linking the financial inclusion challenge with enterprise development and job creation.

Bob Annibale, Global Head Citi Microfinance and Citi Community Development
Bill Van Dyke, CCO Citibank Madrid.



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About Citi Microfinance

Working across Citi's businesses, product groups and geographies, Citi Microfinance serves more than 100 microfinance institutions (MFIs), networks and investors as clients and partners in over 40 countries with products and services spanning the financial spectrum – from financing, access to capital markets, transaction services and hedging of foreign exchange risk, to credit, savings, remittances and insurance products – to expand access to financial services for the underserved.

Additional information may be found at www.citi.com/citi/microfinance.

I. THE RATIONALE OF THE REPORT:

Entrepreneurship and access to finance.

A vibrant economic system composed of successful, growing and integrated micro, small and medium-sized enterprises is essential to achieve economic and employment growth and ensure the competitiveness of an area. Supporting micro and small businesses is one of the drivers that can create job opportunities, support self-employment and ensure integration of the unemployed workforce.

Every business, regardless of its size, needs to obtain access to the financial resources that will ensure it can start its activities, fuel its growth and maintain its successful development. Today, micro and small businesses face major challenges in obtaining credit.

Currently, microfinance services in developed countries such as Spain have primarily been direc-

ted to the most vulnerable populations lacking access to finance, in general immigrants and people with difficult socioeconomic and personal circumstances. The main mechanism has been to provide small loans promoting self-employment through the development of micro businesses generally quite precarious and launched out of necessity. However, over the past few years in the context of deepening economic crisis and increasing levels of unemployment, promoting entrepreneurship, self-employment and small businesses expansion have become central to foster job creation and economic growth. Access to appropriate financial services and capital is needed, not only for the population that has traditionally been served, but also for the many more thousands of entrepreneurs, micro and small businesses, with less than ten employees that now face similar difficulties accessing traditional sources of credit.

Key concept: financial inclusion

Financial inclusion intends to develop a set of financial and non-financial tools – micro-finance products and services – which allow access to capital and appropriate financial services for the economic agents who do not meet the traditional conditions of formal banking systems. A typical example of microfinance services are microcredit¹ and accompanying services for entrepreneurs.

This report seeks to highlight that the **creation of employment opportunities and the generation of economic growth can be achieved through developing appropriate microfinance services, incentives and actors for micro and small enterprises**. Providing small credits to the self-employed will not be enough to stimulate growth, nor satisfy the growing demand for credit of the micro and small businesses that are currently inappropriately served.

The City of New York significantly increased available financial and non financial resources in order to finance thousands of micro and small businesses to promote employment opportunities.

The New York model aiming to promote micro and small businesses finance and entrepreneurship could serve as a source of inspiration and learning for many Spanish and European cities. **Madrid² has been chosen as an example of a city where the New York** financial inclusion strategy towards micro and small businesses could lead to significant job creation.

If each small business – with five or less employees – hired a new employee, unemployment could be completely eliminated [in the United States].

Association for Enterprise Opportunity (EE.UU.)



Key concepts: Entrepreneurship and microfinance

Entrepreneurship is the way to encourage and lead the necessary transformation of the Spanish economic network towards the new economic paradigm based on the knowledge that in all likelihood, will dominate the economic competitiveness of the future post-crisis times in Europe.

(Global Entrepreneurship Monitor 2011, Spanish Report)

Entrepreneurship should be open to every person with the necessary ability and skills to start a business, limiting the explicit or implicit restrictions to access required funding and self-employment resources. That involves supporting people who may have more difficulties to enter the labor market again due to their situation and circumstances. Microfinance services are a key strategy to leverage entrepreneurship, micro and small businesses development.



2. In this report, the term Madrid refers to the Community of Madrid. In other words, it is not the city of Madrid only, but the whole Madrid region.

II. EXECUTIVE SUMMARY.

Micro and small business make up more than 90% of the number of businesses operating in both New York and Madrid's local economy. These businesses provide between 25-50% of all jobs to the active population in both regions. In Madrid, a microfinance strategy integrating micro and small businesses is necessary due to: 1) the increasing unemployment rate; 2) a reduction of recruitment in mid-sized and large companies and 3) major difficulties to access funding.

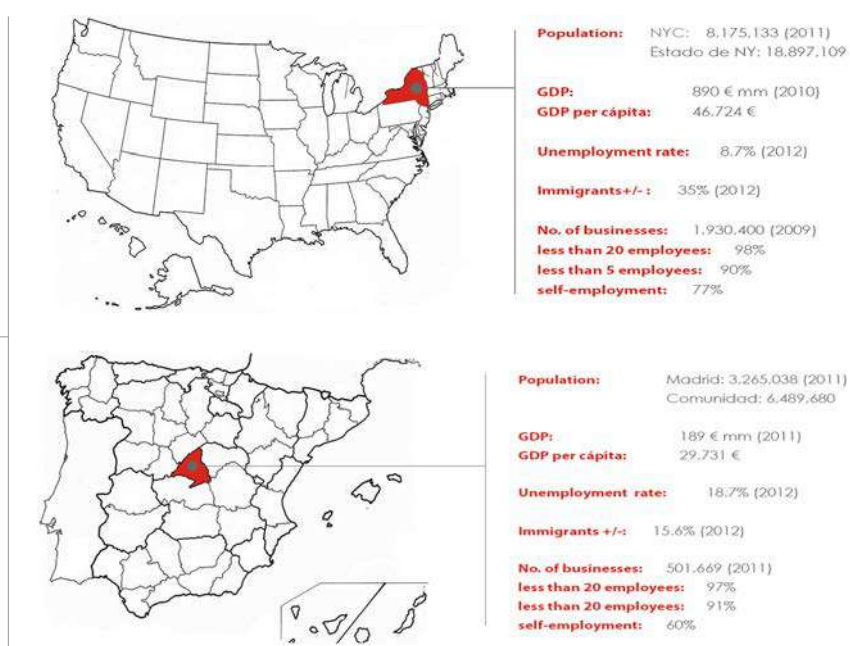
This study's objective is to examine the initiatives implemented in New York City for the development of micro and small businesses to create and maintain employment and see how they could be adapted to Madrid's context. The main recommendations of this report to improve access to capital for micro and small businesses are easily applicable to other cities.

Madrid is home to 15% of the total number of Spanish companies. The vast majority of the Madrid businesses are micro and small companies and are further broken down as follows: 59.5% do not have any employees (self-employment), 90.6% have less than 5 employees and 94.7% have less than 10 employees. Currently, small businesses based in Madrid, as well as in the rest of the country, are facing two important challenges:

1) Access to capital: according to the latest information, one out of four Spanish companies considers their future growth will be affected by insufficient funding;

2) Compliance with numerous legal and administrative procedures: to open a business in Spain the average time is 28 days (compared to 6 days in the United States).

Socioeconomic comparative of New York and Madrid.



Source: MicroBizNY; SBA; Non-Employer Statistics and Country Business Patterns, U.S. Census Bureau, 2008; INE, Statistics Institute of the Community of Madrid.

Another trend emerging from the actual economic crisis, which is tied to the high Spanish unemployment rate, is the significant increase in the willingness and intent to start a business, reaching 9.7% of the adult population in 2011. It is estimated that there are 420,223 potential entrepreneurs in Madrid.

Significant progress is underway to develop entrepreneurship in the Spanish environment – including the upcoming Entrepreneurship Law (or Plan), the Business Activity Revitalization Law and the creation of the “Spain Startup Investment Fund”. Despite the failure of the microcredit programs promoted by savings banks (with the exception of Microbank la Caixa’s program), micro and small companies in Madrid have the opportunity to benefit from a set of inclusive financial service initiatives (for example, Avalmadrid, the Business Incubator Network or Fund Seed capital of Madrid Emprende).

However, the scope of these initiatives is still limited. Important steps are needed to create a financial system focused on promoting the development of micro and small enterprises as a catalyst for job creation addressing the financial and non-financial needs (business advisory services) of Madrid entrepreneurs.

The challenges faced by micro and small businesses have been addressed in New York through the implementation of a series of innovative partnerships between the Public sector (i.e. federal, state and local levels), private banking and non-profit institutions. One of the main agents focused on providing inclusive financial services are Community Development Financial Institutions (CDFIs). The work of these semi-private institutions is catalyzed by the support provided by the public sector (i.e. CDFI Federal Fund, U.S. Small Business Administration, NYC Small Business Services Department), commercial banks through the Community Reinvestment Act (CRA) and other private sector entities.

In a complementary way, we have reviewed the financial inclusion model recently implemented in Germany. This model is also based on partnerships between public and private entities, in search of financial sustainability and co-responsibility of credit risk between the different parties.

Our proposal is to take the successful elements of the New York model and adapt them to Madrid to consolidate a financial system which creates employment opportunities through the financial and business support of entrepreneurs and small businesses. A priori, this model should be based on public-private partnerships, have a strong political and financial commitment from the government and the private sector and be supported by a network of solid and efficient microfinance institutions. The main three steps we are proposing to develop this financial inclusion model to create employment in Madrid are the following:

- Establish an appropriate regulatory framework recognising the importance of entrepreneurship and supporting the provision of appropriate financial services for micro and small enterprises.
- Conduct deep market research to identify needs and market gaps in promoting entrepreneurship that serves existing micro and small enterprises.
- Design a comprehensive strategy to support entrepreneurship and increase access to financial services and appropriate business support for small enterprises to grow and succeed.

The development of this model recommends the implementation of 11 measures which are described in detail in Chapter 7 and are summarized below:

11 recommendations to create employment in Madrid through supporting micro and small businesses.

Strengths of the inclusive financial system in New York:

- A. Strong political and civil commitment for the inclusion of the micro and small businesses through promotion of entrepreneurship and access to finance.
- B. Significant commitment from public and private financial resources.
- C. Strong entrepreneurship culture.
- D. Extensive support network for entrepreneurs based on public-private partnerships.

Challenges to overcome in Madrid:

- A. Limited political and civil commitment to entrepreneurs, micro and small businesses.

Recommended measures:

Foster political support to promote entrepreneurship and access to finance for micro and small enterprises:

1. Create a solid institutional framework to support entrepreneurship and access to finance and business support for micro and small enterprises: final approval of the new Entrepreneur Law (or Plan).
2. Include specific aspects in the new Entrepreneur Law (or Plan). For example, reduce administrative procedures to launch a new business, establish minimum quotas for public outsourcing and procurement to micro and small businesses, provide tax incentives for companies with public contracts to hire micro and small businesses.
3. Create a specific department within the public administration to develop small businesses. This department will provide business services through small businesses support centres (for example, the incubator network of Madrid Emprende), and/or through partnerships with law offices to provide pro-bono advice or a network of mentors and business advisers through corporate volunteering.
4. Encourage commitment and responsibility towards the community. Develop an awareness campaign, or promote the creation of commercial districts in depressed areas of the city.

- B. Limited public-private financial resources.

Increase the availability of private and public financial resources:

5. Inject financial resources through private initiative: create specialized microfinance institutions with the support of a public-private fund involving the government, commercial bank institutions and private companies.
6. Review the financing mechanisms and the use of financial resources by the Public Administration. For example, allocate public resources to create a fund providing loans and guarantees to banks and microfinance institutions to ensure distribution of unsecured loans to entrepreneurs, micro and small businesses.

C. Limited support for entrepreneurial initiatives in Spain.

Encourage entrepreneurial initiative among populations that are most affected by unemployment: middle class, university students, unemployed workforce:

7. Raise awareness in Spanish society about the potential of entrepreneurship. Build bridges between unemployment, self employment, micro and small businesses.
 8. Promote entrepreneurship in the educational system, from primary school to universities. Encourage technical professional training.
 9. Strengthen financial education programs targeting the middle class, university students, and the unemployed.
-

D. Lack of coordination to support entrepreneurship and access to finance to micro and small enterprises among public and private agents.

Provide leadership to the sector with coordination from the public administration:

10. Develop an agenda for the coordinated promotion of financial inclusion between regional and local governments, universities, financial institutions, companies and microfinance institutions.
11. Encourage cooperation between financial institutions to ensure the provision of financial services to micro and small enterprises. For example, create a network or a Microfinance Institute responsible for providing management systems to institutions, defining an accreditation system for microfinance institutions, developing codes of conduct, promoting best practices, etc.

III. BRIEF ANALYSIS OF THE MACROECONOMIC CONTEXT AND ENTREPRENEURSHIP IN MADRID.

3.1. Madrid within the Spanish macroeconomic context³.

Spain is the twelfth economic power in the world and the fifth in the European Union. Its GDP per capita is EUR 23,300 and currently foreign trade is the main engine of growth of the country's economy. However, at the time of writing (around mid-2012), Spain is immersed in a deep economic recession that started in 2008 with the burst of the real estate bubble. The country suffered several major economic crises leading to a sudden stop in economic growth, as well as sovereign debt constraints and major reorganization of the Spanish financial system. As a result, Spain is facing three major challenges today:

- **Unemployment:** According to data from the National Statistics Institute, the number of unemployed people is estimated to be 5,639,500 (24.4%). Among European countries (EU27), Spain has recorded the highest unemployment rate. Youth unemployment is 52.1%, which means that one out of two young people are unable to find a job.
- **Public Deficit:** the deficit has risen to 8.51% of GDP in 2011. It is the primary economic imbalance to correct by the newly elected government⁴ through a dramatic process of fiscal consolidation in all areas and sectors, which is causing contraction of economic activity, public and private consumption and productive investment. It is a highly complex and vicious circle with no easy way out.
- **Credit crunch:** Spain is suffering from a deep financial crisis which significantly increases the constraints on granting credit, for either consumption or investment, and is making the economic recovery extremely difficult. One out of four companies applying for credit does not get approval. In addition, further estimates indicate that 30% of the Spanish population is financially excluded.

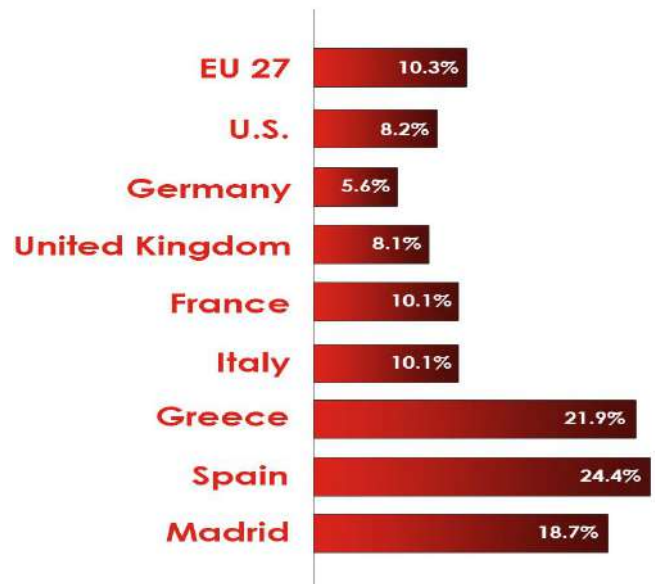
SURVEY ON ACCESS TO FUNDING FOR BUSINESSES IN SPAIN (2010)

- One out of four non-financial businesses that applied for credit in 2010 did not obtain it.
- 60% of businesses consider that bank willingness to access funding has become worse. The main reasons given by banks and other financing sources for denying loans to companies are lack of guarantee or insufficient security and low qualification with respect to financial standing.

In spite of all the economic challenges outlined above, Madrid's economy has shown a better performance than the national economy over the past few years:

- Madrid is the third richest region in Spain in terms of GDP per capita (29,731 euro in 2011). Besides, it exceeds the EU average (25,100 euro).
- It is a region with a solid economy, with positive population trends due to immigration and with good performance of the labor market.
- During the first quarter of 2012, Gross Domestic Product has increased by 0.6%, against the -0.4% of Spain, and the unemployment rate is 18.7%, a lot lower than the national average.

Comparative of unemployment rates (EU27, USA and Madrid) (2Q2012)



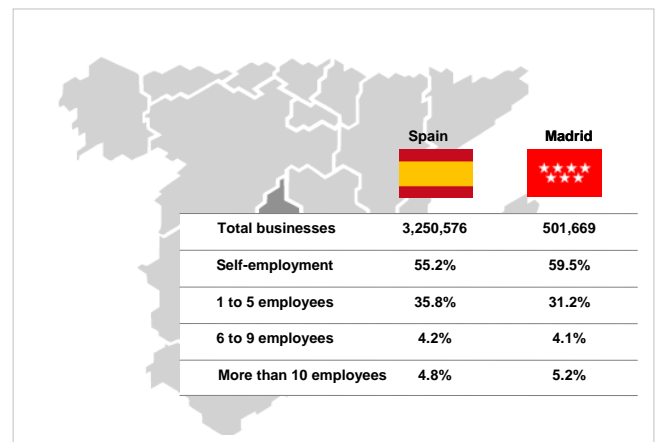
Source: Eurostat and National Statistics Institute.

3.2. Business Segmentation in Spain and Madrid

The business network in Spain is mostly formed by micro and small companies. In January 2011 there were 3.25 million businesses, of which 55.2% represent self-employment, 91% had less than 5 employees and 95.2% less than 10 employees.

Madrid represents 15% of the total number of Spanish businesses nationally (501,669 units), among which there are many types of micro and small businesses, with different financial and business support needs. Companies in Madrid have a labor structure very similar to the rest of the country: 59.5% of businesses do not have any employees (self-employment), 90.6% have less than 5 employees and 94.7% less than 10. In Madrid, micro and small businesses employ about 27% of all employees.

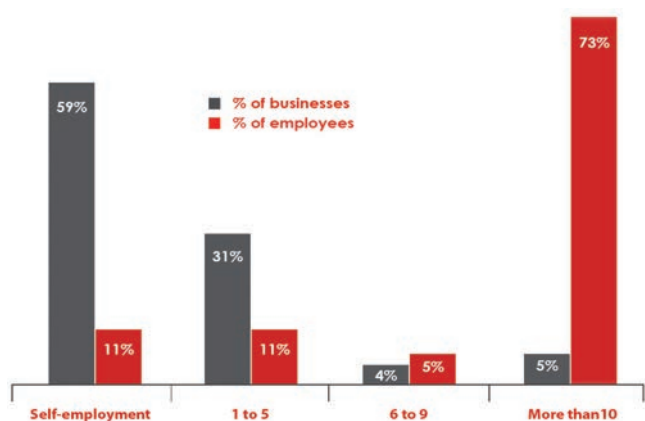
Number of businesses by employee strata in Spain and in the Region of



However, the micro business segment is the most affected by the actual crisis. In 2009, the closure of micro businesses in Madrid of 1 to 4 employees doubled the creation of businesses.

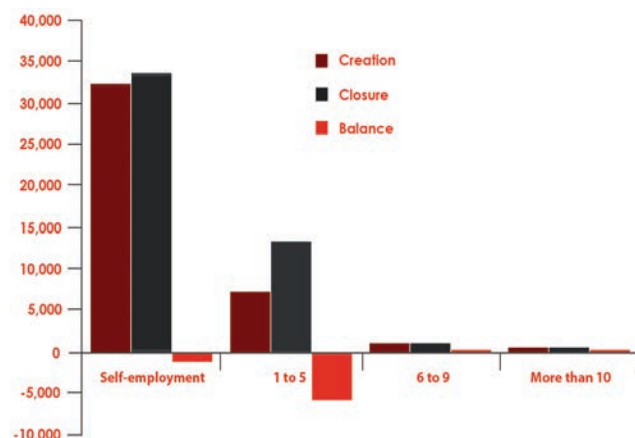
According to the Survey on Access to Funding, one out of four Spanish businesses considers their future growth will be adversely affected by insufficient funding.

% of businesses and employees⁵ in terms of business size in Madrid (2011)



Source: DIRCE (NIS).

Creation and closure of businesses in terms of size in Madrid (2009)



Source: Statistics Institute of the Community of Madrid.

How can we minimize ongoing challenges and the increasing closure of micro and small businesses in Madrid? Which initiatives can be implemented to enable access to funding for these companies and, by doing so, promote their creation, development and survival?

3.3. Entrepreneurial initiative in Spain

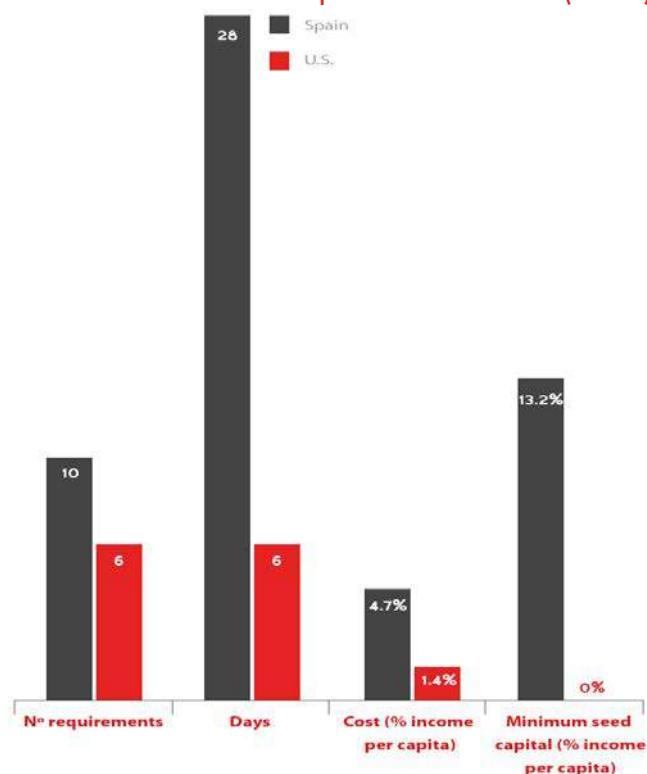
In order to adapt New York initiatives, it is crucial to evaluate and keep in mind the entrepreneurial culture currently existing in Spain.

A nation's institutional framework affects the creation of new businesses and their sustainability, as well as the business culture and existing entrepreneurial spirit⁶. At a local level, the speed, efficiency and complexity of the regulatory framework established by the authorities affects the number of new businesses and, of course, the entrepreneurship environment⁷.

Spain does not stand out as having an appropriate environment for starting a business. According to the report Doing Business 2012 compiled by the World Bank, Spain ranks 44 in the "ease of doing business", while the United States' rank is 4. As for the "ease to start a business", the difference is even bigger: Spain is number 133 on the list while the United States is number 13.

To start a business in Spain it takes an average of 28 days (compared to 6 in the US) and 10 procedures are required (6 in the US).

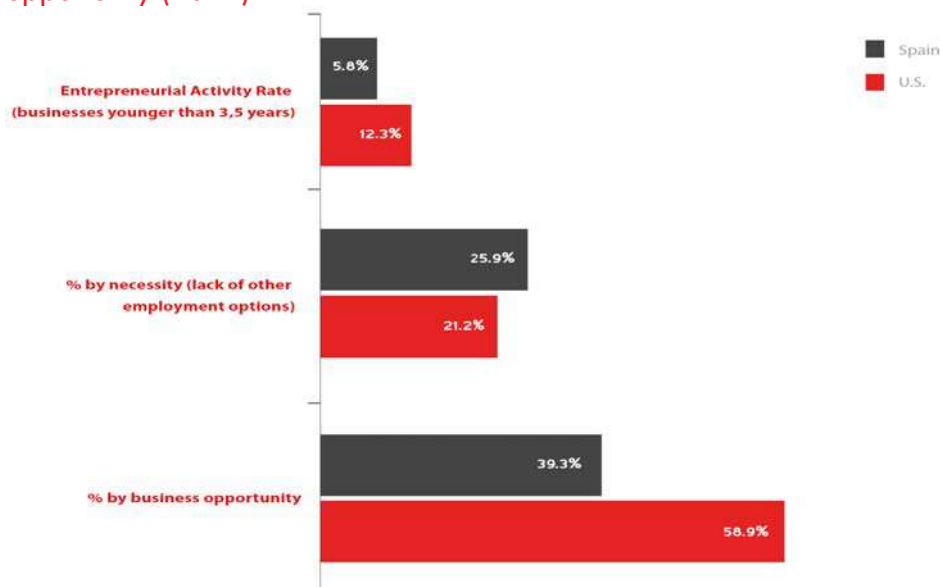
Number of requirements to start a new business in Spain and in the US (2011)



Fuente: Doing Business 2012, Banco Mundial e IFC

This explains the entrepreneurial activity rate (EAR), which is the percentage of adult population (18 to 64 years) with a business younger than 3.5 years. The EAR for Spain is 5.8% compared to 12.3% in the United States in 2011.

Entrepreneurial Activity Rate: by necessity or opportunity (2011)



Source: Doing Business 2012, World Bank and IFC; GEM Global Report 2011.

6. Global Entrepreneurship Monitor 2011, Global Report.

7. McFarland, Christiana (2011): Local Roles in Cultivating a Small Business Entrepreneurial Culture, National League of Cities, November, 9.



ENTREPRENEURSHIP PROFILE IN SPAIN (2011)

- 61.4% are males with an average age of 38 years. However, the number of women is increasing.
- 70.7% of new initiatives solely employ the entrepreneur (i.e. 1 person per business).
- Almost 10% of the new initiatives are lead by immigrants.
- There is a positive trend for the creation of innovative businesses using cutting-edge technology and facing limited competition. Nevertheless, technology based activities represent only 6.9% of all new created companies.
- The average seed capital required to implement a new business is approximately EUR 30,000. Entrepreneurs need to finance around 70% of these needs.
- Informal investment (i.e., Angel investors) remains a positive support given limited access to credit and overall public investment cutbacks. It represents 3.6%.
- Aversion to risk is an obstacle for entrepreneurship: 51.8% of the adult population considers fear of failure as an obstacle to undertake a project.
- The most difficult conditions for promotion of entrepreneurship have been highlighted as: lack of promotion of entrepreneurial attitudes in Pre-school and Primary Education, limited government supporting programs and access to funding.

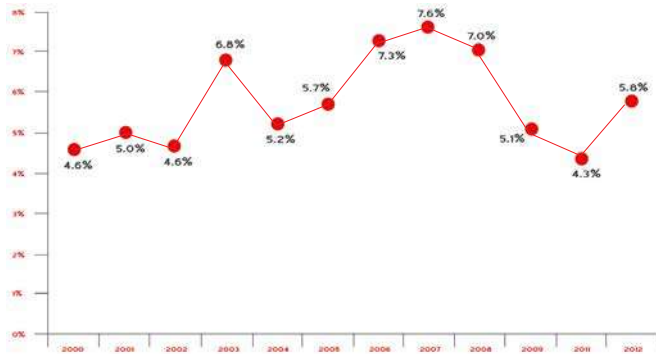
Teaching entrepreneurship and reducing the perceived risk are pending challenges for the educational system and Spanish society.

Source: GEM Spain Report 2011.



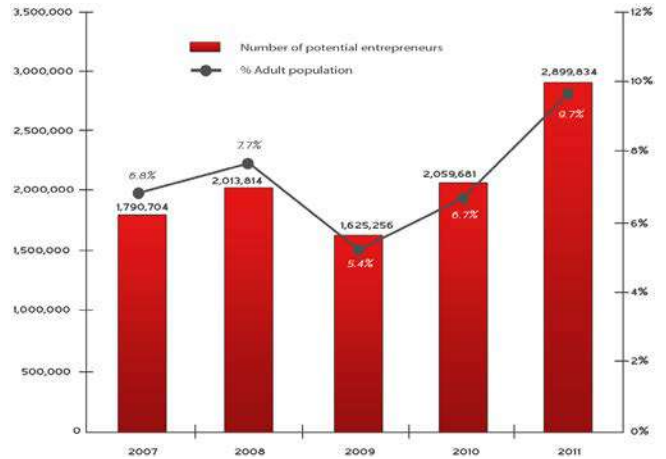
During the past few years, the economic crisis in Spain first caused a decrease of the EAR (from 7.6% in 2007 to 4.3% in 2010) and then a subsequent upturn (rising to 5.8% in 2011), mostly due to limited employment opportunities and the necessity for some people to start their own business.

Entrepreneurial Activity Rate (2000-2011)



The high Spanish unemployment rate explains the significant increase in the intent to create a business, going from 5.4% among the adult population in 2009 to 9.7% in 2011, which results in 2,899,834 potential entrepreneurs.

Potential entrepreneurs in Spain (2011)



Fuente: GEM Informe España 2011.

In essence, although there is still a long way to go to promote entrepreneurship in Spain, we must also acknowledge the progress made to date.

RECENT MEASURES IMPLEMENTED TO FOSTER ENTREPRENEURSHIP IN SPAIN

- Labor reforms encouraging employers to hire.
- Elimination of license for retail businesses activities and its replacement by an express license process to reduce administrative constraints.
- A Payment Plan to Providers in order to ease the payment of pending invoices from city councils and communities to the supplying companies.
- The Line of Financing of the Official Credit Institute up to EUR 22,000 million for businesses.
- The creation of an investment fund for entrepreneurs, the "Spain Startup Investment Fund", with EUR 40 million through the public company ENISA.
- The future Entrepreneur Law (or Plan) which provides entrepreneurship incentives.
- Specific measures taken to promote access to public procurement for small and mid-size companies.



BUSINESS ACTIVITY DYNAMIZATION LAW.

This Law makes it easier for entrepreneurs to start their business immediately, with no need to wait for complicated administrative procedures, and allowing them to open every day of the week and the hours they want.

"The crisis is not to be fought with more rules and regulations, but with fewer obstacles for the entrepreneurs"
 Esperanza Aguirre, President of Region of Madrid, Forum of Unir Empeende, July 2012

IV. Access to finance for micro and small businesses in Madrid

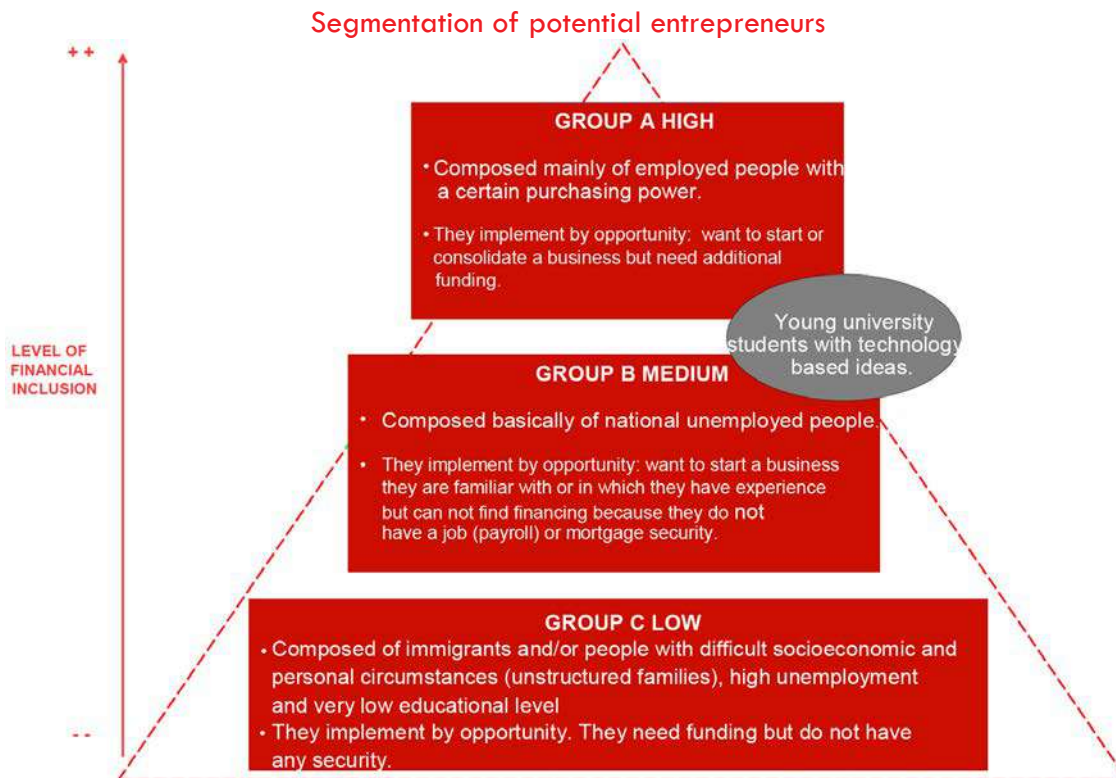
4.1. The Demand

To this day, microfinance in Madrid, as well as in the rest of Spain, was basically directed to the most disadvantaged populations, mainly immigrants and people in difficult socioeconomic and personal circumstances. Microfinance consisted of providing small loans, to promote self-employment and to start micro businesses generally quite precarious and launched out of necessity.

However, during the past few years, there has been an increase in the number of unemployed people that could qualify to start or work in micro and small businesses. Simultaneously, we have seen a significant decrease of financial resources available for funding. Improving entrepreneurial initiative is considered a viable alternative to

unemployment. But while entrepreneurship is increasing (and therefore the demand for funding), access to capital is even more restricted, including for entrepreneurs with collateral or significant guarantees that were previously served by traditional commercial banks. Commercial banking institutions usually only accept financing requests higher than EUR 25,000 for profitability reasons.

Obviously, if one of the main objectives of financial inclusion is to create and maintain employment opportunities through small businesses, financing resources must be available not only to the traditional microfinance clients but also to the many micro and small businesses which do not have access to credit today.



Source: Compilation based on own interviews with experts in the industry sector (Guillem Aris of CPÁC and Aurelio Jiménez of Fundación INCYDE).

Currently, there are more potential entrepreneurs of Spanish nationality, with a medium-high educational profile and good business knowledge. They are mainly young university students who can not find a job and who would prefer to start a business. This segment also includes mature active adults who have difficulties re-entering the labor market because of their age.

In addition, as we move up in the pyramid, we find a group of highly-trained potential entrepreneurs with good business ideas that have been steadily increasing since micro and small businesses have more difficulties to access credit. These are newly created companies and already established companies that still need capital to survive.

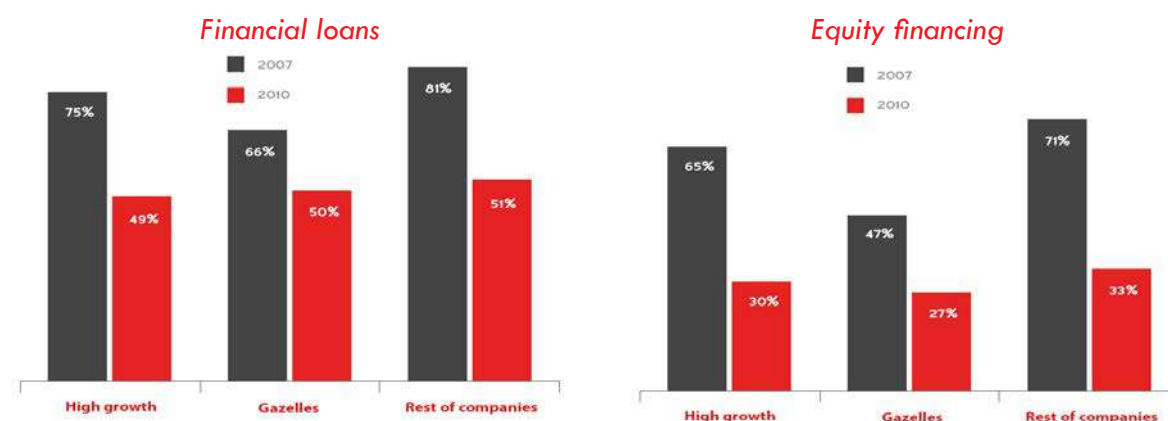
"Micro and small companies are a business group facing working capital issues that has transformed into a solvency issue."
Ana María Martínez, Banco Pichincha

It is important to mention the strong efforts provided by the private sector and government policy directed towards technology and internet-based businesses inside this middle group. They are part of a growing small business segment which has high potential for scalability and job creation in the mid and long term. However, it is still a segment with limited presence within Spanish industrial activity and it is led by groups with a training level far above the Spanish employer's average⁸.

- **Reduction in traditional banking funding**

In the current credit environment, traditional companies are experiencing difficulties accessing financial resources and capital (debt or equity financing). Success in accessing loans by traditional companies was reduced from 81% in 2007 to 51% in 2010. With respect to equity financing it went from 71% in 2007 to 33% in 2010. It is less an issue for companies experiencing high growth (annual growth rates over 20%) or the so-called "gazelles" (high growth rates but less than five years old).

Degree of success to obtain financial resources by type of business (2007 compared to 2010)



Source: Survey on Access to Business Funding, 2010, NIS.

8. Source: Coduras, Alicia (2009): Technology-based companies in Spain: location study 2009, University of Zaragoza and the Business Institute Business School, Madrid.

ENTREPRENEURS ESTIMATE IN MADRID

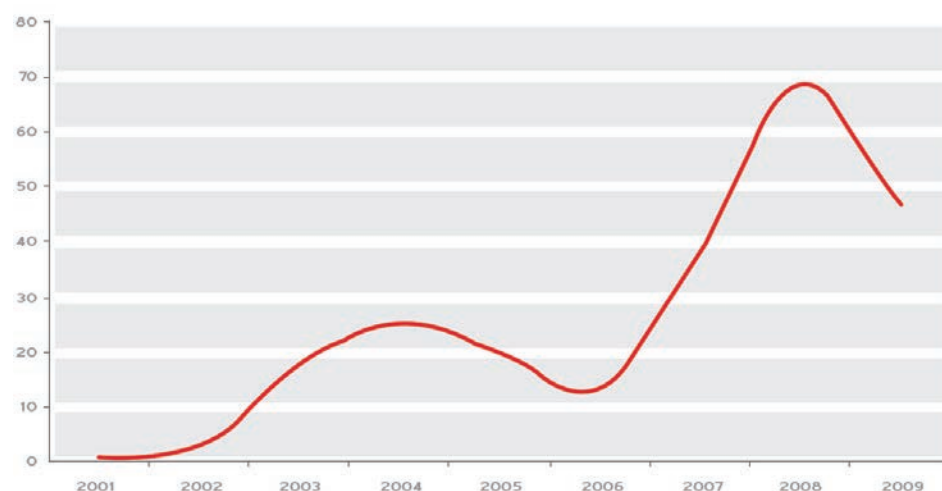
Assuming Spain has 2,899,834 potential entrepreneurs (GEM, 2011) and 15% of companies are based in Madrid, it is estimated a potential demand of **420,223 loans to implement businesses in this region.**

4.2. The Supply: failure of the microfinance model in Spain and the need for a higher number of microfinance programs

During the past ten years, vulnerable groups (i.e., immigrants, unemployed workers, under-privileged women, etc.) have used microcredit programs implemented by savings banks in collaboration with the Microcredit Support Social Entities (MSSE)⁹ and the Public Administration. Social microcredits have consisted of loans of approximately EUR 10,000 to people who have no collateral to access formal commercial bank funding and who have limited resources to start or consolidate

a business. However, although microfinance can be considered as a less costly alternative than unemployment for the welfare state, the development and scope of the microfinance industry in Spain have been limited. It is calculated that during the period 2001-2009 only 22,149 micro credits were granted amounting to EUR 233 million¹⁰. Since 2008, the sector entered a deep crisis and many programs have disappeared.

Evolution of microcredit in Spain (2001-2009) (in million euro granted)



Source: Lacalle and Rico (2012).

Factors that have contributed to the limited development and sudden decline of the microcredit sector in Spain include the lack of sustainability in the sector and, in some cases, the lack of technical capacity of institutions, as well as the absence of political willingness to promote entrepreneurship among the most vulnerable populations. When government and saving banks financing began to fall, most microcredit programs were forced to close¹¹.

There are today many people in Spain and Madrid trying to start small businesses but their main problem is the lack of access to capital. Only a few institutions are granting microcredits in Spain. The leading institution doing so is Microbank¹².



MICROCREDIT PROGRAM OF MICROBANK LA CAIXA (2007- to this date)

- Microcredits for entrepreneurs (2007-2011): 27,584 loans worth EUR 308 million.
- Loans of less than **EUR 25,000 for self-employed** people or micro businesses with less than 10 employees.
- Creation of **42,000 jobs**.
- Branch network: 5,196 "la Caixa" offices.
- 439 collaborating entities.

4.3. Limited scope of initiatives providing access to finance to micro and small enterprises

According to experts, classic small businesses (the neighbourhood coffee shop, hardware shops, auto repair shops, etc.) were formerly serviced by proximity banking. However following reform of the Spanish financial system and reduced economic growth, it is more and more challenging for small businesses to attract this traditional source of

financing.

In order to solve this growing problem of financial exclusion, the following initiatives have been implemented in Spain and Madrid in the last few years:

11. See the closure of Women's World Bank in 2012 and Micro credit Program of Women Entrepreneurs and Business Owners which had been promoted in 2001 by the Women's Institute in collaboration with National Innovation Company (ENISA), part of the Ministry of Industry, Energy and Tourism, la Caixa and CECA, and other women's MSSE (Micro credit Support Social Entities).

12. Mainly Microbank and, to a lesser extent, ICO Foundation-CajaSol Foundation, Caja Laboral or Banco Pichincha among others. Likewise, some institutions are promoting micro credit program programs with their own funds (see note 9).

4.3.1. Entrepreneurs ICO Line

The Official Credit Institute (ICO), which is the State financial agency, is trying to deliver financial resources to the entrepreneurial segment through the Entrepreneurs ICO Line, with EUR 2,000 million¹³. Given ICO has no branch or the capacity to analyze business plans, funds are administered

through commercial banks which are the final decision makers when granting or denying credit to clients. In the current climate, the risk aversion of financial entities is limiting the amount of funds reaching entrepreneurs and small businesses.



ICO ENTREPRENEURS 2012

- For **self-employed entrepreneurs and professionals who started their activity less than five years ago.**
- **Average credits of EUR 30,000.**
- No direct relation with clients as they use credit entities as intermediaries.
- Collects international market resources with a Spanish government guarantee so it has a lower cost of funding than banks. In addition, it offers bonuses to clients.
- **Advantages to clients: funds availability, longer timelines (up to 7 years) and competitive prices.**
- **Disadvantages: the bank assumes the transaction risk and therefore the decision of granting the loan.** ICO cannot perform a credit analysis on clients and is not involved in the final decision.

4.3.2. Avalmadrid

In Madrid, entrepreneurs and small business owners can also go to Avalmadrid, a reciprocal guarantee society that offers preferential financing to small and medium-sized businesses and entrepreneurs and which issues guarantees to government

and third parties. But according to interviewed experts, Avalmadrid is becoming more demanding with the applicants profile, their feasibility plans and provision of securities.



AVALMADRID

- Avalmadrid leads the reciprocal guarantee sector. It has 8,786 partners-customers.
- Currently, **there are more than two new businesses per day being started in the region of Madrid thanks to Avalmadrid.**
- **In 2011**, it granted EUR 263 million to about 1,600 small and medium-sized businesses and entrepreneurs from Madrid, with the **establishment and/or continuation of more than 21,000 jobs.**
- Its protective partners are the Community of Madrid, Bankia, Chamber of Commerce and CEIM.

4.3.3. Young Entrepreneur Program of ENISA

Entrepreneurship (on the economic front) and vocational training (on the educational front) are being promoted to fight the youth unemployment rate of 52% in Spain. For this reason, the “Young Entrepreneur Program” intends to finance innovative ideas among young entrepreneurs. The program has been promoted by the public company ENISA

since 2010.

In this case, the main problem is the limited scope of the project: it has limited capacity and no more than 400 projects a year are being financed. ENISA, despite collaborative agreements with youth institutions, has a limited presence.



A fund created in 2010 for young people under age 40 which were being excluded by banks and the Administration.

- **It finances innovative business models.**
- **Equity loans without guarantees from EUR 25,000 to 75,000.**
- During 2010 and 2011, 783 projects were financed. For 2012 it has a total budget of EUR 20 million.

4.3.4. Business Incubator Network of Madrid Emprende

Since 2005, Madrid City Council has coordinated the performance and activity of **7 business incubator networks, 5 business pre-incubators and 1 industrial factory with small business facilities**. In these incubator centers, entrepreneurs re-

ceive professional advice on the whole business development process. The main disadvantage in this case is that entrepreneurs do not know where to obtain financing once their project is ready to move forward.



BUSINESS INCUBATOR NETWORK OF MADRID EMPRENDE

Each business incubator management is private, it is granted to a civil institution specialized in incubator issues (associations, a joint venture, universities, etc.) through a public procurement call.

It offers the temporary use of offices, basic furniture and access to common areas (meeting rooms, exhibition spaces, etc.) **to entrepreneurs or small and medium-sized businesses not older than five years and with payments below market rates**.

The Business Plan must ensure the project financial viability and the creation of employment in Madrid.

Training and business consulting services are offered: Procedural Initiation and Advice Centers and additional business activity services.

4.3.5. Seed Capital Fund Madrid Emprende

As a solution to the previous issue, in July 2012, Madrid City Council has implemented the Seed Capital Fund ("Madrid Emprende Seed Capital"), through the Economic Development Agency Madrid Emprende.

This is a public-private funding mechanism for financing private entities with a certain percenta-

ge of the investment utilized as seed capital during the launching phase of the project. The City Council provides up to EUR 100,000 for each project with the private sector investing at least an equal amount. In this way, Madrid intends to create an environment where entrepreneurship is encouraged and stimulated, for both entrepreneurs and "angel investors".

4.3.6. Other new trends and initiatives

New initiatives are also emerging in the public and private sphere to support social and innovative technology and internet-based entrepreneurship, among which the following are notable:

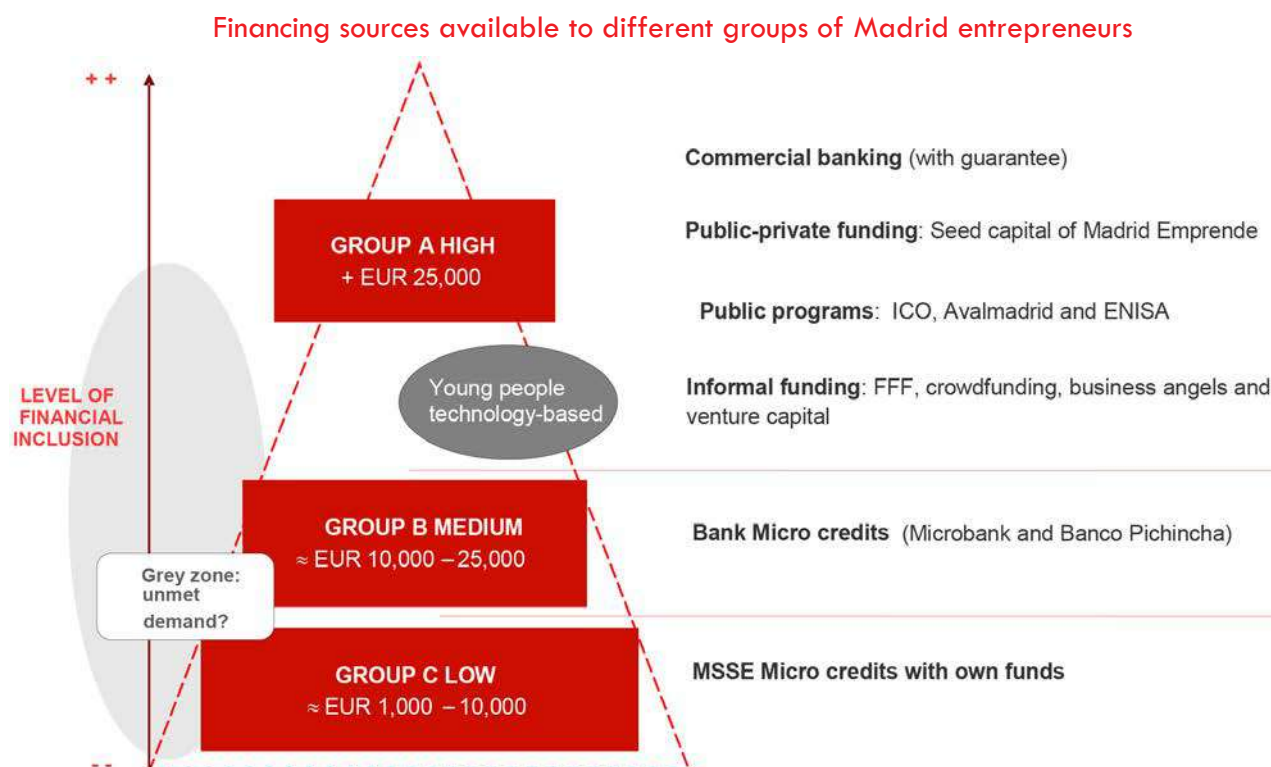
- Ashoka and Momentum Project of ESADE and BBVA, two initiatives for social and innovative entrepreneurs.
- Wayra Spain/Madrid (Movistar), a technology business accelerator for young entrepreneurs.
- Yuzz, a talent contest encouraging business technology-based ideas funded by Banesto Foundation.

- Entrepreneur Campus¹⁴.

All of them are designed to finance innovative business projects but are still too small and isolated initiatives.

Finally, it is worth mentioning that due to the financial crisis and the lack of accessible credit in Spain, informal financing initiatives are significantly growing, such as FFF ("Friends, family and fools/founders"), "crowdfunding" and "angel investors". Usually, this type of funding is dedicated to specific entrepreneurship sectors such as small, dynamic and scalable businesses capable of generating more jobs than traditional small businesses.

In short, the difficult and extremely limited access to financing sources for Madrid entrepreneurs could be summed up by the following graphic based on their financing needs and their socioeconomic and educational profile:



Source: Prepared by the authors based on interviews with the industry experts.

¹⁴ Inactive since 2011, it was a program of the Community of Madrid in collaboration with the public universities of Madrid created to help all university students to start their own business.

V. ACCESS TO FINANCE FOR MICRO AND SMALL BUSINESSES IN NEW YORK.

"Unemployment is not a problem expected to be solved overnight – but you must start somewhere"
Create Jobs for USA

Although a lot of the media attention has been focused on the precarious economic state of the euro zone, especially in Spain, the US economy is still in a slow recovery process. Improving access to funding for small enterprises has become a key factor to reduce unemployment and simultaneously stimulate the business environment. Micro and small businesses in New York also face many barriers in obtaining funding resources, as traditional financial entities are not interested in granting credit lower than EUR 120,000¹⁵ (USD 150,000), mostly because of profitability concerns.

However, in the past few decades in New York, a series of **innovative partnerships between the government, private banking and non-profit associations** have been created from which Madrid could learn. This is an inclusive and powerful system aiming at actively supporting the creation and growth of small businesses with lower volume financial needs. The main objective of this inclusive financial system is to drive the creation of employment and economic growth in the city while delivering positive impact on the development of the most unprivileged neighbourhoods.

In New York as well as in the rest of the United States, **one of the main entities focused on providing inclusive financial services to micro and small companies (funding and business counselling) are Community Development Financial Institutions (CDFI)**. CDFIs are alternative and private financial institutions, certified by the U.S. Department of Treasury and whose primary goal is to provide financial resources to develop low to moderate income communities in the United States.

A key element for the whole inclusive financial system to work is the American societal belief and

deep awareness of the community where they live or work. The American population is generally characterized by a strong commitment to promote community development. For example, it is typical to have people working and participating in activities and local organizations geared towards improving their community in all its aspects (i.e. economic, educational, health, physical, etc.). There are also specialized personnel within banks to promote community development and meet the needs of low to moderate income (LMI) populations.

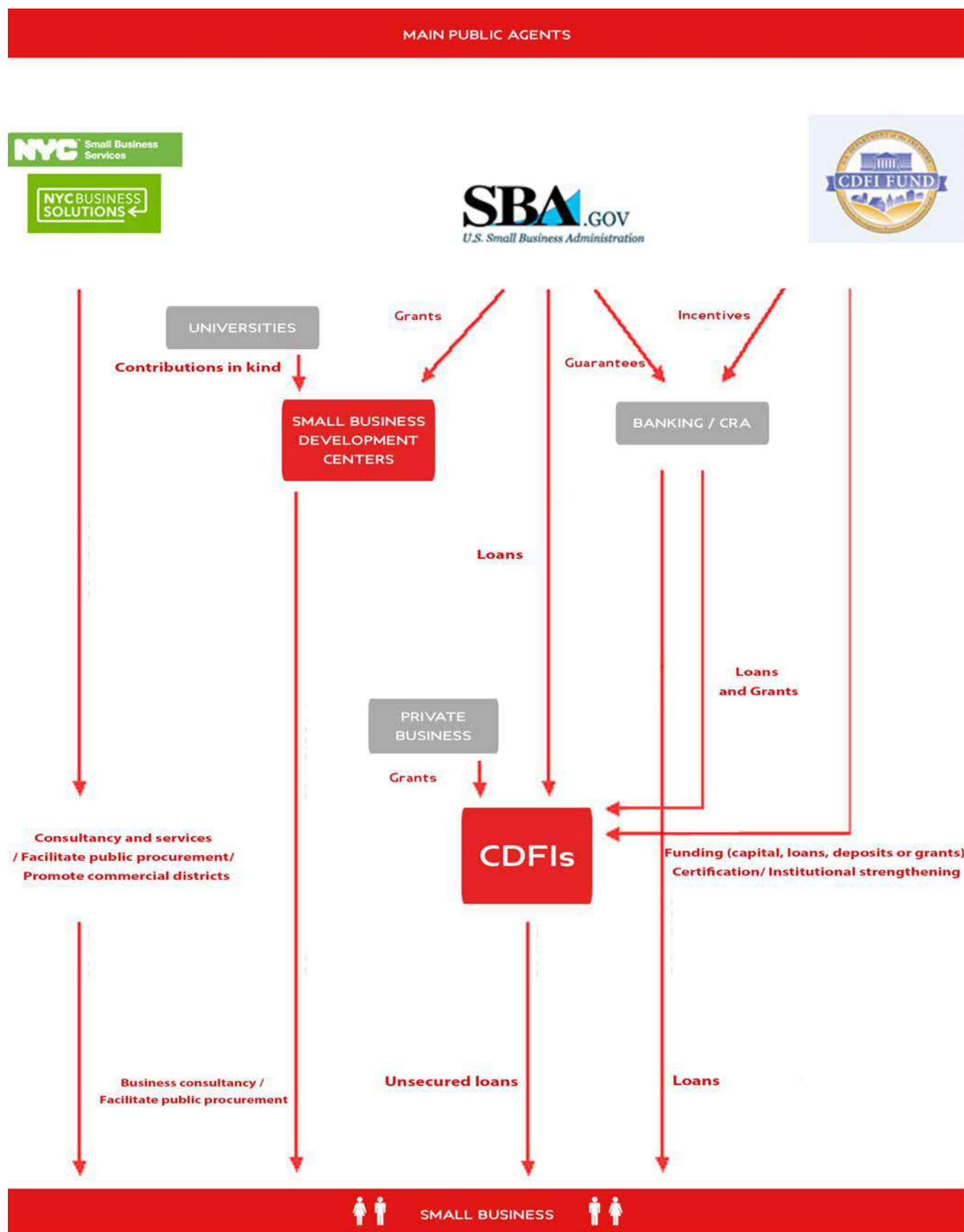
IT IS A FACT

Micro and small businesses are the backbone of the productive system and employment. In the United States these businesses employ more than 50% of private sector employees and have created more than 65% of new jobs in the last 15 years. But the main problem is that one out of three micro and small businesses do not have appropriate access to financial resources to take advantage of their potential growth.

Small businesses in the United States tend to cover job market areas which are 'underserved': they employ a higher percentage of Hispanic people (66%), low educational level workers (63%), young employees (64%) or people over 65 years old (65%). This seems to demonstrate that smaller companies offer jobs to groups with no opportunities in other type of businesses.

*US, Small Business Administration and
Create Jobs for USA*

Simplified model of New York City's inclusive financial system



5.1. Government Support: major political commitment

In the United States, the role of government public institutions to foster financial inclusion for small businesses and self-employment is crucial in the following four aspects: leadership, provision of funding, public-private partnership promotion

and the creation of a legal and fiscal favourable framework. In the United States, this support is visible from all government levels: federal or national, state and local. The list below highlights the most important ones.

5.1.1. FEDERAL LEVEL

• CDFI Federal Fund

Created in 1994 and managed by the US Treasury, the CDFI Federal Fund is the principal financing source for CDFIs. This Fund was designed to promote community economic revitalization efforts through investment in CDFIs, and to provide credit, capital and non-financial services to the most vulnerable communities in the United States. This Fund has granted more than USD 1.4 billion since its establishment.

Additionally, from 2000 until 2011, this Fund has attracted private sector investments in the most vulnerable communities. A total of USD 33.1 billion has been invested through the "New Markets Tax Credit Program" of the Department of Treasury. This program allows tax deductions for companies and individuals investing capital in low to moderate income communities.

- In 2011, CDFI Federal Fund granted more than USD 500 million to CDFIs in New York -

• U.S. Small Business Administration (SBA)

The SBA is a federal agency created in the 1950s to support entrepreneurs and small businesses all over the country. Among offered services it is worth mentioning the following:

1) Guarantee risk sharing mechanisms to banks and the provision of loans to CDFIs and other microfinance institutions to increase direct credit to entrepreneurs.

2) Granting of subsidies to organizations offering business consultancy to entrepreneurs, most notably the Small Business Development Centers (SBDC).

3) Consultancy services to small businesses to help them obtain government contracts.

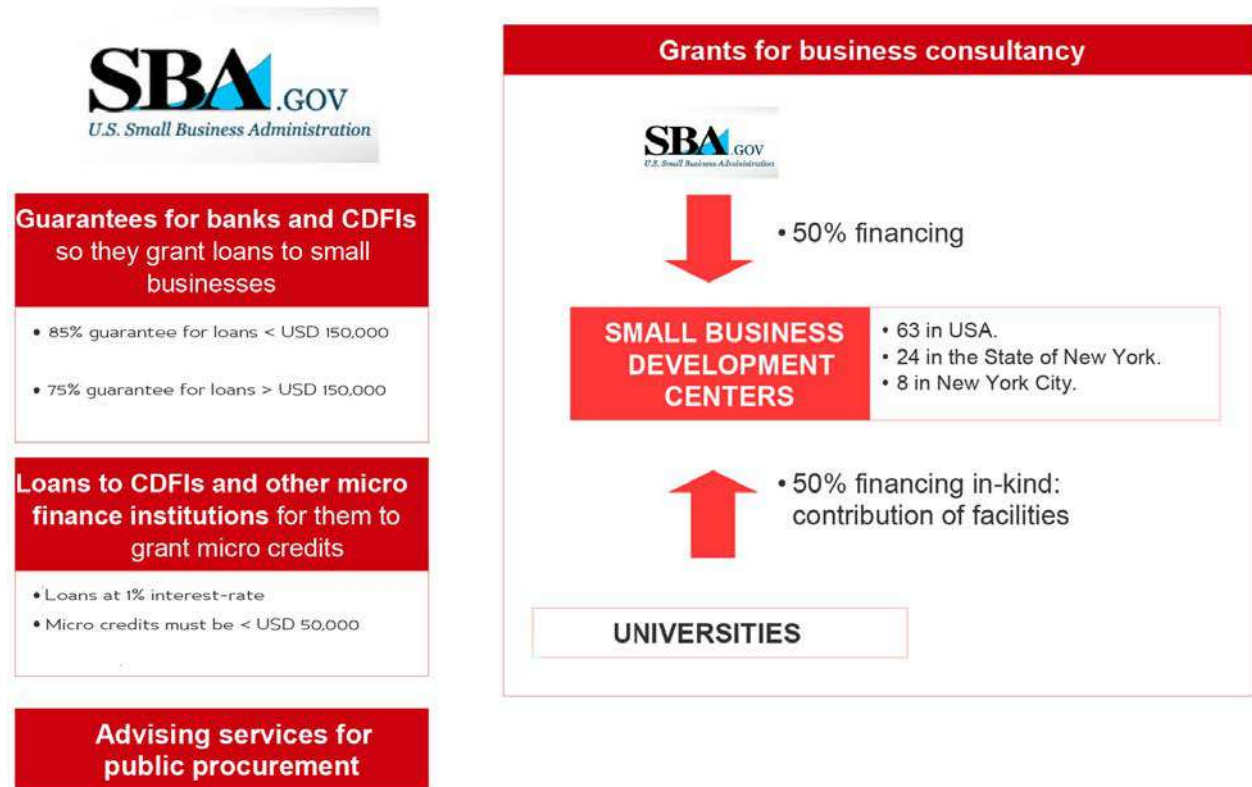
- In 2012, SBA budget amounted USD 985 million -

- Small Business Development Centers are located in public and private universities and their main role is to provide business advice to micro and small businesses in the United States -

- Each year, more than USD 728 million is allocated to cover small business contracts and subcontracts with the federal or local government -

"SBA studies confirm that the chance of success of a small business is more than 50% after receiving expert advice"
Jorge Silva, Regional Administrator for NY, NJ, PR & USVI,
U.S.SBA

Main activities of SBA



Source: sba.gov and interview with Jorge Silva, Regional Administrator for NY, NJ, PR & USVI, U.S. SBA.

• Community Reinvestment Act (CRA)

In 1977, the United States federal government passed an Act known as the Community Reinvestment Act (CRA), which establishes an institutional and legislative framework for this inclusive financial system to work in the country.

This Act is one of the key drivers for the provision of financial resources to small businesses by

commercial banking in the United States which encourages economic development in low and moderate income communities. Through CRA, community development institutions obtain the necessary resources to finance their costs and create loan portfolios for micro and small businesses.



CRA, COMMUNITY REINVESTMENT ACT (1977)

What is the CRA? A federal act which requires banks to cover all the community (district) financial services needs where they operate, specifically targeting people with low and moderate incomes.

Origins. In the 70s, the decay of inner cities in the United States was attributed to the reluctance of the banking industry to grant loans to minorities or people with low income. Community leaders and government agents criticized that banks were willing to accept deposits from these areas but were unwilling to grant loans or invest in them.

Target groups:

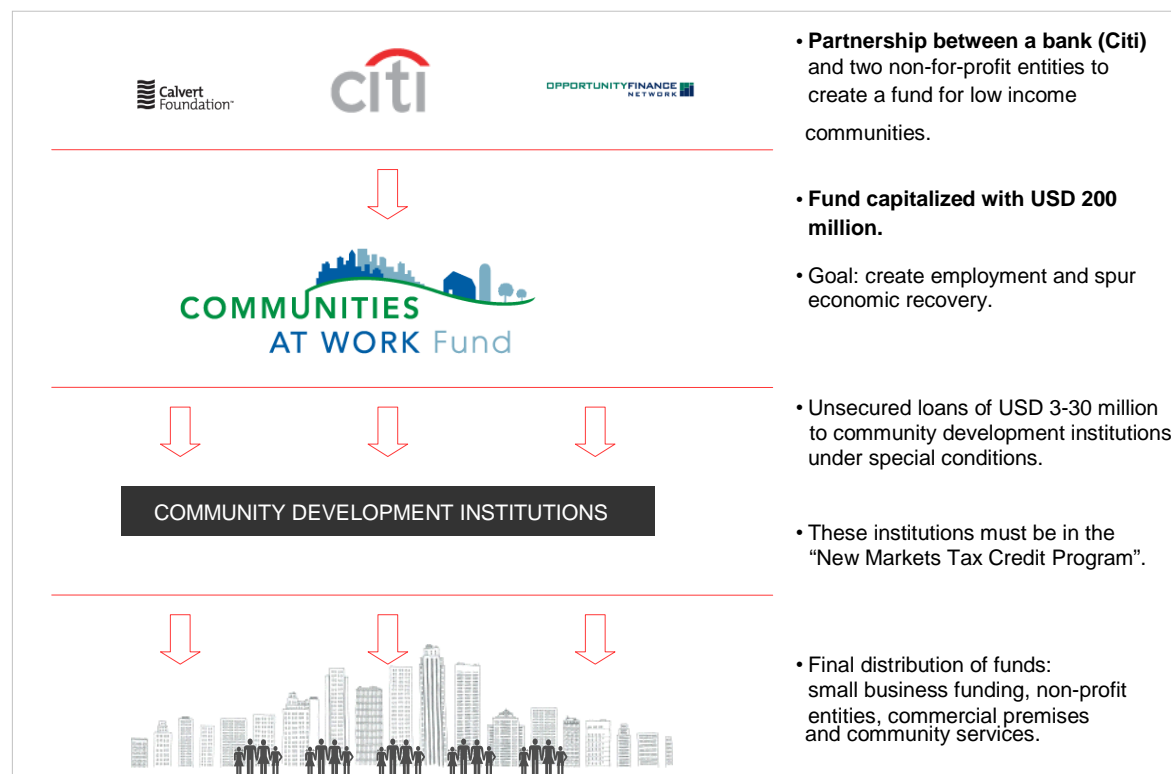
- Low or moderate income individuals.
- Low or moderate income communities.
- Micro and small businesses.

Bank assessment. Banks are periodically reviewed to evaluate CRA compliance in quantitative and qualitative terms.

How is micro and small businesses credit activity measured in CRA? Lending activity to micro and small businesses is compared to market share of bank deposits in the selected area. In addition, loans must be lower than USD 100,000. For small businesses located in low or moderate income communities, they can not generate more than one million dollars per year.



Example of activity classified as CRA by a commercial bank (Citi)



5.1.2. LOCAL LEVEL IN NEW YORK

• NYC Small Business Services Department

The New York City Small Business Services Department is a public agency that offers essential services to small businesses to develop new activities, consolidate the existing ones, improve commercial districts and provide employers with qualified personnel searching for a job.

Entrepreneurs and small business owners who received long term advice, training or mentoring partnership have higher sales activity, better ability to recruit employees and bigger economic impact in their communities.

NYC Small Business Department

NYC SBS was created in 2002 and was based on an employment demand study in New York City. The study showed that small business had three main needs to resolve including: **1) access to qualified personnel, 2) access to financial resources, and 3) simplification of administrative formalities.**

"A demand strategy implies interacting with businesses to understand market needs. It is a key aspect. Only by understanding demand can the appropriate service / product be provided."

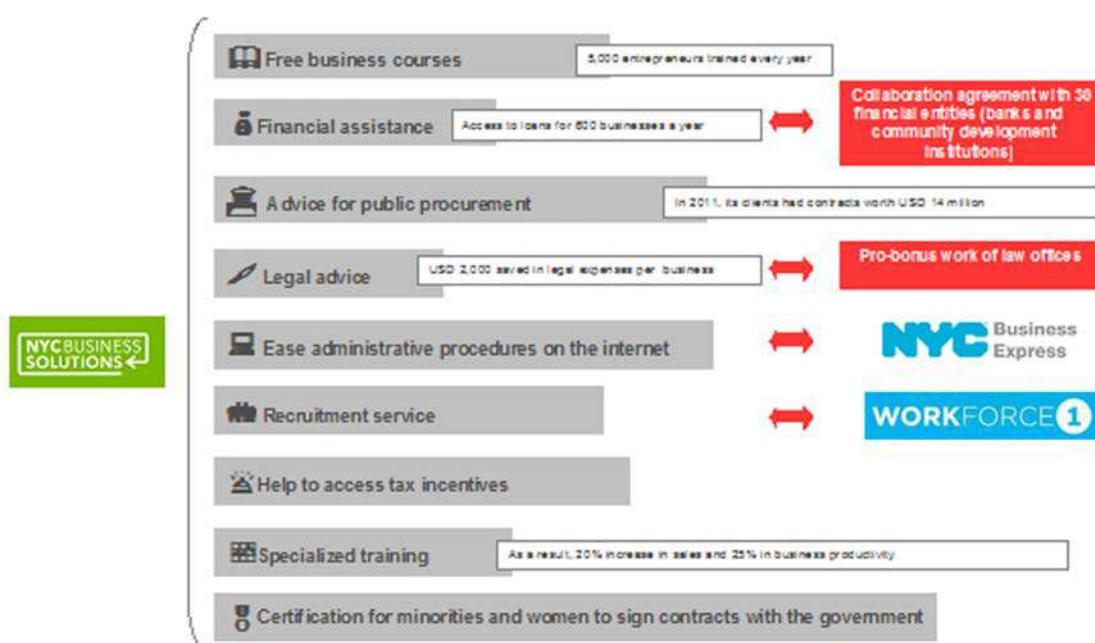
Kevin Kelly, Deputy Commissioner, NYC Small Business Services.

The study also found that the public sector did not have a very good reputation among New Yorkers. As a solution to this issue, three **"private brands"** were created to serve entrepreneurs: WORKFORCE1 (focused on preparation and access to employment opportunities), NYC Business Solutions (7 centers located throughout the city which offer free business services) and NYC Business Express (online platform for business administrative procedures).

"We are known by our brands and not as a public department. This is strategically important. Through our brands we credibly reinforce our effectiveness and efficiency."

Kevin Kelly, Deputy Commissioner, NYC Small Business Services.

Activities and agreements of NYC Business Service Department brands





Collaboration agreements between NYB Solutions and financial entities

Loans to entrepreneurs are not granted directly in the seven NYC Business Solutions centers, but instead the small businesses owners receive advice and knowledge on how to access different financing methods (bank loans, CDFIs or "crowdfunding").

NYC Business Solutions has agreements with 30 financial institutions in the city, including commercial banks, CDFIs or community banks, to find the best financing option for entrepreneurs.

Works closely with commercial banks so they accept new customers "from the bottom up"; at the same time, banks refer their clients to NYC Business Solutions centers to be trained in financial and business management.

In 2010, an agreement between NYC Business Solutions and Citi was signed to:

- 1) refer customers to each other;
- 2) obtain partial funding of centers by the bank; and
- 3) offer training courses delivered by bank personnel in those centers.



5.2. THE RELEVANT ROLE OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)

There are 82 certified CDFIs in New York which offer inclusive financial services (funding and business counselling) to micro and small businesses.

CDFIs are financial institutions certified by the US Treasury (CDFI federal fund) as specialized institutions working on market areas insufficiently serviced by traditional financial institutions.

*992 certified CDFIs in the United States.
82 in New York.
High performance: repayment rate of 98%.*

CDFIs emerged in the late 1960's as a result of a financial self-help tradition between immigrant community members with limited resources in New York. However, they expanded greatly all over the country in the 1990's basically due to:

- The creation of the CDFI Federal Fund.
- The Community Reinvestment Act (CRA).

CDFIs offer financial resources to low income individuals and communities in a responsible and accessible way by enabling self-employment as a mean to participate in a social and financial inclusion process. They provide loans to create and consolidate micro and small businesses, usually comprised of one or two employees. Loans range from EUR 400 to 40,000 (USD 500-50,000) and are allocated for working capital, equipment or employee recruitment. In some cases, they offer business consultancy and monitoring services, directly or in collaboration with other non-profit entities.

Their main financing sources are:

- Public (mainly through the CDFI Federal Fund and SBA),
- Private (CRA compliance by banks and companies, private foundations and donations, which have many tax benefits in the United States), and,
- Customer deposits, when their legal condition allows it, as in the case of community

development banks or credit unions.

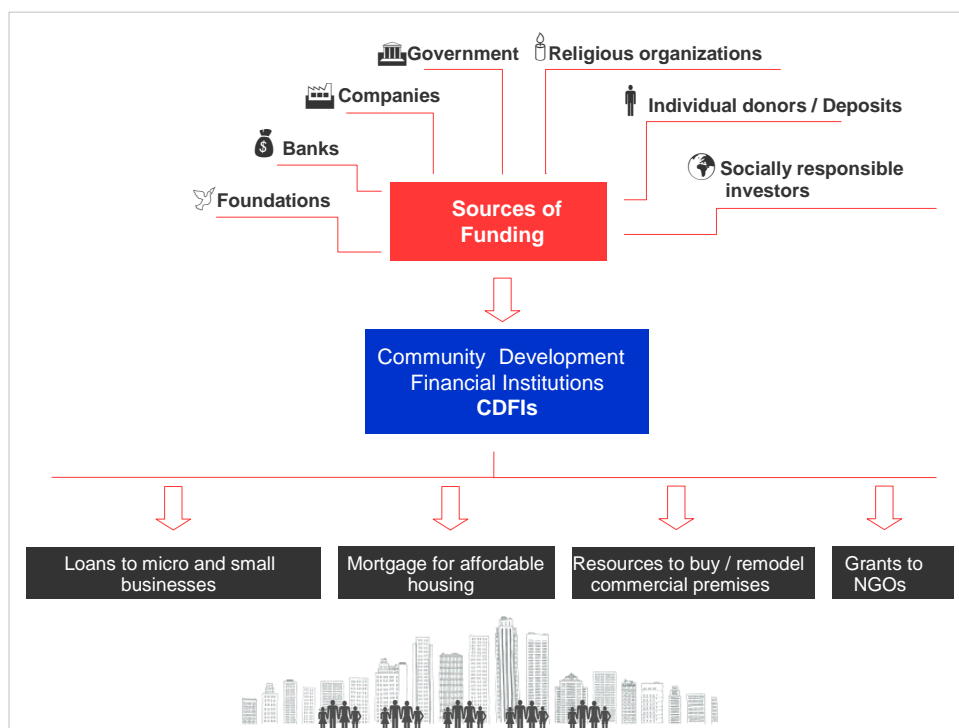
Nevertheless, it is important to mention that most CDFIs, if not all, are not self-sustaining in financial terms. **In the best possible scenario, interest earned from loan portfolios manage to cover approximately 50% of their costs¹⁶.** Non-financial activities (business advice and financial education) are very expensive but they are the key to business success and therefore require subsidies. **Given CDFIs impact in terms of economic and social benefits (i.e., job creation), the expenditure of non-repayable public and private funds is considered justified.**

CDFIs have financed 64,391 small businesses and generated 317,052 jobs.
Opportunity Finance Network, Report 2010

U.S. ACTION IMPACT (CDFI)

- Average creation of 3.5 jobs per loan.
- 98% survival of established businesses and 89% of the "start-up" ones.
- Clients pay 24% more taxes compared with minimum salary employees (USD 9\$ / hour).

CDFI activities and financing sources



CDFIs differ from traditional financial institutions in some key aspects: they have a **specialized knowledge of the communities** where they work, develop **close relationships with clients** and community leaders, and provide individual consultancy **services and specific financial products** to people with low income and a higher risk profile.

"The success of CDFIs is the result of a good interaction with the community. A better knowledge ensures selecting good businesses and the client feels more committed to these institutions than to big banks. Trust is the key."

Jorge Silva, Regional Administrator for NY, NJ, PR & USVI, U.S. SBA

• But, how do CDFIs and banks work together?

CDFIs and traditional banks are not institutions that work separately. **CDFIs work with banks to increase private investments, directly through CDFIs funding or using mechanisms to refer and coordinate clients for loans, equity investment or other financial services. CDFIs also collaborate with tra-**

ditional banking to enhance financial education and credit scores¹⁷ of excluded groups with limited education. For example, CDFIs provide "credit start loans" and, as recipients pay back their loans and build a credit history, they can become future clients of formal banking.

"Their language is different, accreditations are useless, they need to work somewhere to eat... credit is an identification card and for immigrants is a need. Credit history affects getting a job, renting an apartment or the purchase of a car. But it is difficult for them to access credit because they must start their credit history. Through "credit start loans", CDFIs are doing a research on credit history of many low income individuals. We are providing information to society and banks."

Paul Quintero, Chief Executive Officer, ACCION USA

17. In the United States, a bad credit history or the lack of it, can prevent someone from obtaining a loan. It can also be a cause of problems to rent an apartment, acquire a phone service or electricity, get a job, etc. Building a credit score can sometimes become a vicious circle since financial entities only provide credit to individuals with a good credit record. But if nobody provides credit to people with no credit history, how can you start to create one?

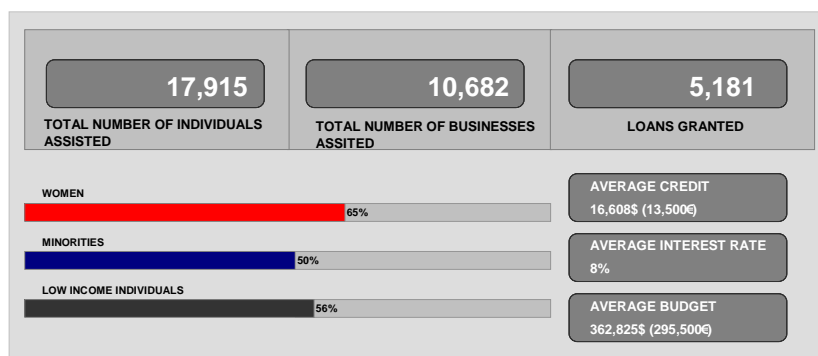
Example of partnership between commercial banking, CDFI and NGO to improve credit score of New York population



Additionally, although they are not certified as CDFIs, there are some non-profit institutions providing financial and non-financial services to the most vulnerable micro entrepreneurs. These are

called Microenterprise Development Organizations (MDOs) and, together with CDFIs, constitute the universe of microfinance institutions.

Data reported by microfinance institutions in New York, year 2010



Source: microtracker.org (Aspen Institute).

CASE STUDY

ACCION USA (CDFI)

ACCION

ACCION USA is not a bank or a credit union. It is a micro finance organization created in 1991 in New York. Its objective is to offer credit and financial education to small business owners in the whole United States. It mainly works with immigrants who cannot obtain credit from traditional institutions due to their type of business, few years of experience or insufficient credit history.

It grants loans to businesses from USD500 – 50,000 (EUR 400 – 40,000). And also "credit start loans" (USD 700 / EUR 570) to build credit history.

Interest rate applied: 8.99% - 15.99%

Loss: 1% - 8%

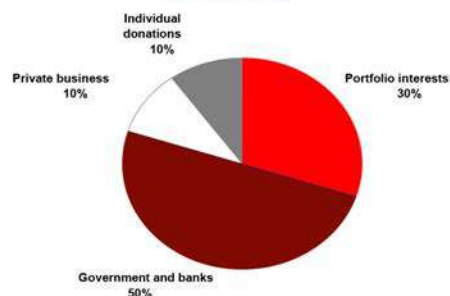
Cost of loans: 5%

Margin: 2.99%

Main magnitudes 1991 - 2011

20,400	loans
\$132 million	total volume granted (EUR 107 million)
\$7,000	average loan size (EUR 5,700)
89%	repayment rate
3.5	jobs per loan

Sources of funding





CASE STUDY

Benefits for ACCION USA clients

"The alternative to ACCION USA is to apply for a loan to the owner of the bar in the community. Many people from poor districts obtain capital this way. But this has a very high cost, 5% per week. They (the bar owners) are fast. That indicates **how important is to be fast. The average time for ACCION to disburse a loan is only 12 days.** Many institutions in this sector are delayed for a long time and clients leave. If it is not attractive to them, they go to the bar owner".

"Our customers come to us because they cannot access credit in commercial banks, we speak the same language and establish a very close relationship with them. This way they will come back".

Sustainability

"As an organization, **the problem we have is not access to funding but the operational model.** Loans for low income people cannot be very large and that involves a high cost. For that to be cost-effective, we should grant many loans. But there is not enough volume of loans as it happens in developing countries. If that was the case, there would be no need to depend on governments".

"Usury is regulated at the state level in the United States. To cross the established limits we must become an institution regulated by the Superintendency of Banks at a state or federal level. We have not taken that step yet but it is something we must consider. The **possibility of having a profitable interest rate is a key part of micro finance success** in Latin America. I think this reality is something we will also face in the United States.".

"CRA ("Community Reinvestment Act") is relevant in this country. If it was not for that, this inclusive financial industry would not exist".

Financial education

"We have a social goal: make the individual grow. Credit is one of the tools to achieve that. We care about people not being over indebted. Financial education must be given to vulnerable groups".

Paul Quintero, Chief Executive Officer, ACCION USA



CASE STUDY

TYPES OF SMALL BUSINESSES FINANCED BY CDFIs

Street Vendors

There are around 20,000 vendors in the New York City streets, small businesses which have been part of the city for over 200 years.*

These businesses are a good example for vulnerable population looking to integrate in the labor market. In fact, this is a very popular initiative for entrepreneurs such as immigrants and war veterans who request support and funding to CDFIs.

Even though vendors face many legal issues regarding permits and requirements, it is a very important business for the city on cultural, economic and even culinary level.

**Street Vendor Project*

Family Child Care Centers

One of the existing options in the United States for child care are "Family Child Care Centers". These are small businesses to look after the children in the care givers' house.

Just in Manhattan, there are 757 Family Child Care Centers.*

Such programs are highly regulated and supported by the Office of Children and Family Services as well as the Department of Health and Mental Care, at a state and city level. More than 60 support agencies depend on these institutions, 5 of them in New York City, which offer information, training and accompaniment to people willing to start this business.

Many CDFIs have specific programs to finance and develop these initiatives. Advantages and opportunities of this model:

- *Educational and social innovation project.*
- *Labor integration of women with difficult access to the job market.*
- *Balance of personal and professional life.*
- *Dignifies the role of women in child-rearing duties.*
- *Improves the services supply to promote family and conciliation in the community.*
- *Low-medium economic investment.*

This is also a popular model in European countries such as the United Kingdom, France, Germany or Switzerland. In Spain, at this moment, there is no regulation or association regarding this, nor at a state level nor in the Community of Madrid.

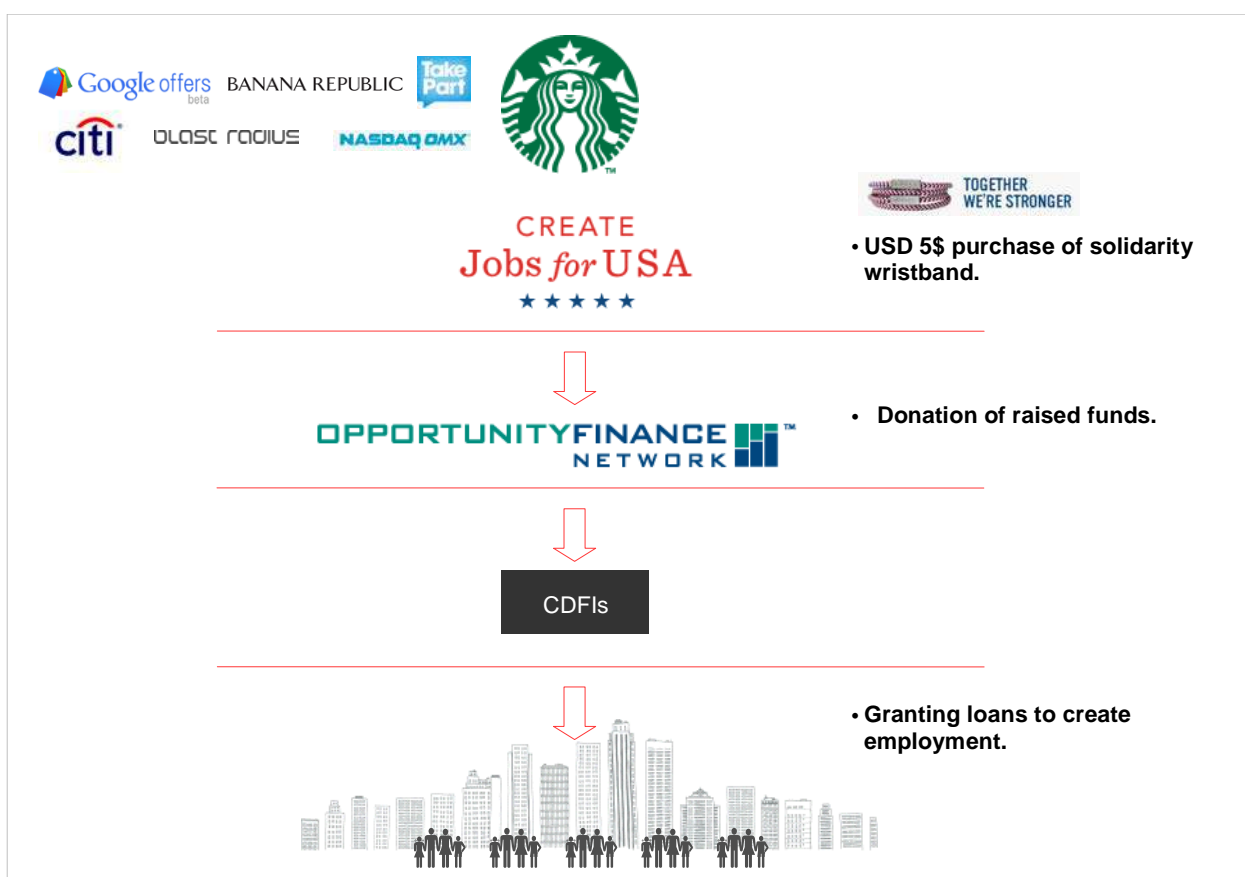
** New York State Office of Children and Family Services, April 2012*

5.3. OTHER INNOVATIVE SUPPORT FORMULAS FROM THE PRIVATE INITIATIVE

If you travel to the United States these days and suddenly want to drink coffee, you can enter into any Starbucks coffee and see one of the most innovative initiatives promoted by private business and civil society to foster job creation through financial inclusion. In the 7,000 Starbucks coffee shops in the United States, under the slogan of

“Let's create Jobs for USA”, several private companies, in collaboration with the CDFI network called Opportunity Finance Network, have launched a sales campaign of solidarity wristbands for USD 5 each. Funds raised are donated to CDFIs for them to finance activities which create employment opportunities in low income communities.

Campaign “Let's create Jobs for USA”



5.4. REVITALIZATION OF UNDER-UTILIZED AREAS IN NEW YORK TO PROMOTE SMALL BUSINESSES

High rental rates for facilities and offices are one of the serious problems faced by small businesses in New York. For this reason, there are not many small commercial spaces to rent in New York City, especially in the borough of Manhattan. Besides, the owners of these facilities typically transfer associated costs to the small business owner including expensive local taxes charged in commercial areas to cover public services, such as sanitation, policing, fire department services, transportation, road maintenance etc.

"Commercial rent in many parts of New York City is very high and it tends to be a problem for small businesses. Also, in Manhattan small business owners can sometimes find it challenging to find small commercial space that can accommodate their operations. It's important that small business owners work with landlords who may have large commercial spaces and encourage them to consider subdividing their space with maybe multiple small tenants rather than one large tenant that may not be available."

Curtis Archer, President, Harlem Community Development Corp.

To overcome these issues, the New York City Council is revitalizing under-utilized and depressed areas through the creation of markets or shopping areas where small businesses can be accommodated. A very recent example of such a project is the "Marqueta Mile".

"Markets have become powerful catalysts for the local economic development. They promote entrepreneurship by facilitating affordable and accessible space and the opportunity to test ideas and goods. With the right market all you need is a good idea and a good product, and if for some reason it does not work it is not a big problem."

You are not left with thousands of dollars in debt with the bank".
David O'Neill, New York-based Project for Public Spaces



CASE STUDY

Marqueta Mile

An ambitious project to turn an empty area in Harlem into a vibrant market for and to local entrepreneurs and craftsmen.

Harlem CDC, a New York State funded economic development agency, in collaboration with local groups in the community, entrepreneurs and the New York City Council, have designed a plan to transform an underused area under the Harlem subway rails, into a park and an open air marketplace, with cultural events, special meals, arts and crafts produced onsite by local craftsmen.

Marqueta Mille intends to provide affordable space to approximately 900 craftsmen and create potentially 4,000 jobs. It combines the latest environmental planning with an innovative focus on employment development, involving the community in the design, construction and operation of the market.

Marqueta Mile is inspired by High Line Park, by the many successful markets in the city as well as by traditional European markets such as La Boquería in Barcelona or Borough Market in London.



To sum up, there is an entire inclusive financial ecosystem in New York to support entrepreneurs and small businesses with the final objective to create employment opportunities and support community economic revitalization efforts.

VI. A GLANCE AT THE GERMAN MODEL SUPPORTING MICRO AND SMALL BUSINESSES¹⁸

To complement our review of the American context, we would like to draw attention to the financial inclusion model recently implemented in Germany. Although it is too early to evaluate the results, the advantages of this model are: **1) partnership between public and private entities, 2) research of financial sustainability, and, 3) co-responsibility of credit risk among the different entities.** This model could also be replicable in Spain, at a national and regional level (in Madrid), and can be built around a series of existing institutions in both countries.

In January 2010 in Germany, a federal guarantee fund ("Mikrokreditfonds Deutschland") was set up with an amount of EUR 100 million (EUR 60 million from the European Social Fund and 40 million from the Federal Ministry of Work and Social Affairs) to grant loans up to EUR 20,000 for start-up and micro businesses. Its objective is to grant 15,000 loans by the end of 2015.

After two years, the number of loans granted by Mikrokreditfonds Deutschland has been 250% above what expected.

Target clients are women, immigrants and businesses employing trainees. This fund offers step-up loans of EUR 10,000, 15,000 and 20,000 to control risk and adapt to payment capacity of vulnerable groups¹⁹.

• Ex-ante assessment

Before this fund was implemented, the German Ministry of Work and Social Affairs requested a market study from the socioeconomic research institution FAST in order to analyze the supply and demand of financing available to small and medium-sized businesses. The study showed that access to credit for small businesses in Germany was limited, especially for start-up businesses. This tendency was getting worse as a consequence of the economic and financial crisis. At the same time a larger number of unemployed people were willing to start a business. **This study recommended to significantly increase availability of microcredits for these businesses.**

18. The description of the German model has been summarized and translated from the publication of Maas, B. and Lämmermann, S. (2012): *Designing microfinance operations in the EU: A manual on how to build and implement microfinance support programs using ESF, European Social Fund*, Brussels.

19. The initiative is supported by an online communication campaign ("Mein Mikrokredit", www.mein-mikrokredit.de). The web page has information about the fund and credit conditions, a search engine to locate entities offering micro credits as well as short videos of entrepreneurs.

• Public allocation procedure

The Ministry of Work and Social Affairs launched **two public requests for proposals in order to 1) manage the assets of “Mikrokreditfonds Deutschland” and 2) ensure practical implementation of the loan fund** (i.e., selection of financial intermediaries, management contracts with microfinance institutions, loan processes, technology and marketing campaigns). The regional public bank of Lower Saxony N-Bank was selected to manage the fund. The private social-ecological bank GLS Bank and the Deutsches Microfinanzas Institut (DMI) were chosen to implement the activities.

• Collaboration model: shared risk, institutional strengthening and advisory service to entrepreneurs

Based on the fact that only financial institutions are authorized to grant loans in Germany, it was necessary to establish a collaboration model to execute the fund “Mikrokreditfonds Deutschland”. The social-ecological private bank GLS Bank was selected to develop a national network of microfinance institutions (IMF) responsible for distributing microcredits and giving support to entrepreneurs.

All the institutions that want to become a microfinance institution and distribute the microcredits of this fund must be audited and certified by the Deutsches Microfinanzas Institut (DMI). This certification costs between EUR 6.000-8.000. To minimize the transactional risk, the microfinance institutions are required to deposit a security of at least EUR 30.000 in GLS Bank to cover 20% of the risk. Additionally, the institution must finance its personnel expenses, technology investment and working capital needs. Some organizations which have become microfinance institutions made alliances with regional banks or with the departments of corporate social responsibility to cover their costs.

Furthermore, the fund “Mikrokreditfonds Deutschland” supports IMFs with two incentives:

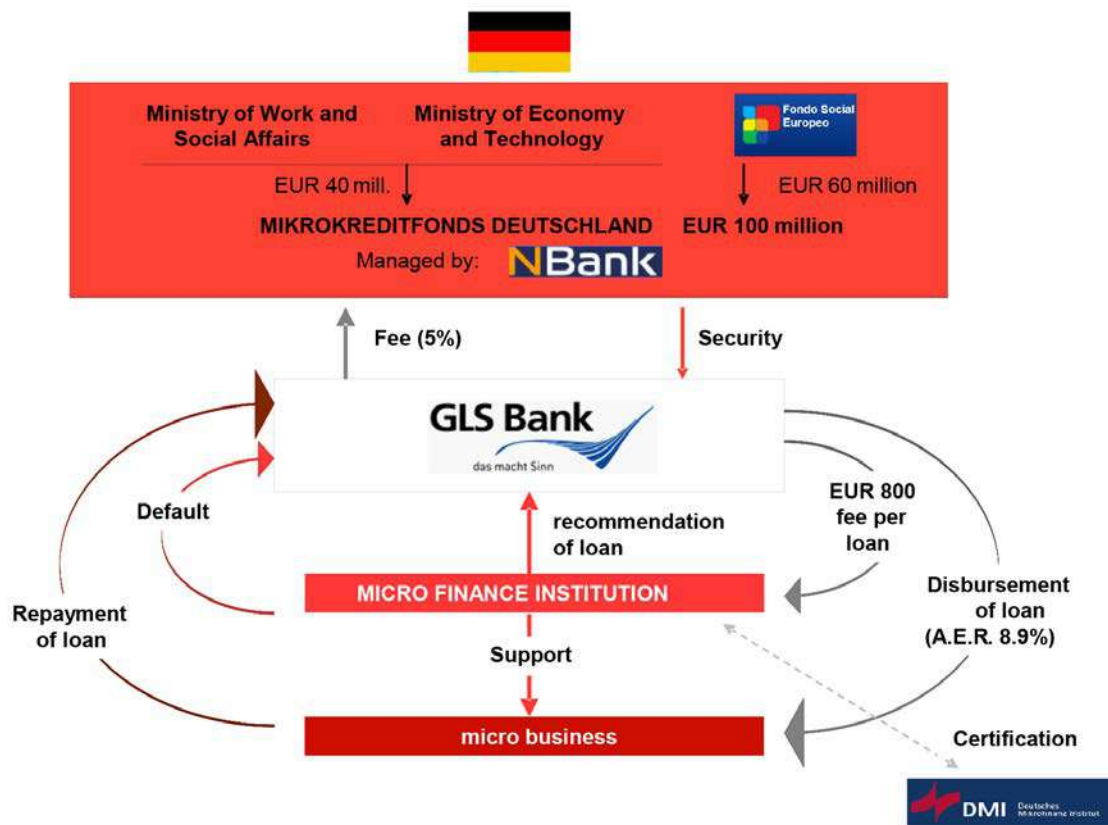
- A management fee: microfinance institutions receive 800 euro for every granted micro credit to cover their operating, consultancy, follow-up and institutional strengthening costs. This fee will be reduced as the pipeline of granted loans increases until they reach 200 euro in 2015.
- Bonus for repayment of loans: established in 10% of amortization of loans.

There is a risk sharing agreement for loan default: the microfinance institution is able to cover the “first losses” with its security deposit up to maximum of 20% of portfolio. The microfinance institution is then responsible of any losses generated over this 20%. So, if the default rate is under 10%, microfinance institutions have their risk covered.

Annual effective rate of loans that GLS Bank charges is 8.9%. In order to finance the payment of fees and bonuses by "Mikrokreditfonds Deutschland", GLS Bank pays the fund a fee of 5% of the interests received. The other 3.5% is used to pay management expenses. GLS Bank has additional security from the fund to cover its risk.

The **Deutsches Microfinanzas Institut (DMI)** has a relevant role in ensuring the quality of the fund transactions. It offers institutional support to certified microfinance institutions and provides them with a computing management system to monitor their clients. It also organizes workshops to exchange experiences and is working on a Code of Conduct to provide micro credits in Germany.

Financial inclusion model in Germany





CASE STUDY

Centralized and shared systems

The **computing management system** to monitor clients that the Deutsches Mikrofinanzas Institut (DMI) provided to microfinance institutions is a centralization and specialization model which saves costs and standardizes criteria, facilitating management when critical mass occurs.

ACCION Texas in the United States is a very similar example. This leading microfinance organization has developed a web-based credit analysis system that other smaller microfinance entities can use to help them grow and minimize management costs.

The services provided include a web application, a credit qualification engine and management of microcredit documentation, as well as centralization and secure information storage. All these services are provided at a lower cost than a full time employee. The system provides recommendations based on the credit applicant risk profile, but the entity requesting this information is the final decision maker of approving or denying loans.

This system approach has been designed to streamline risk analysis processes so loan officers can invest more time in getting to know their potential clients and developing consultancy and support duties useful to reduce late payments.



VII. RECOMMENDATIONS FOR JOB CREATION IN MADRID THROUGH THE FINANCIAL INCLUSION OF MICRO AND SMALL ENTERPRISES

Throughout the entire report, we have seen that the local economy in New York and Madrid is comprised of more than 90% by micro and small businesses, which employ about 30-50% of the active population in both areas. We have highlighted the importance of entrepreneurship. We have seen how the funding and growth challenges faced by micro and small businesses (and therefore employment) have been reduced in New York thanks, in part, to the implementation of a financial ecosystem designed to create employment through financial and business support to entrepreneurs and small businesses.

Our proposal is to use the successful elements of the New York model and adapt them to the Madrid context. In this way, we can aim to build and promote an inclusive financial system orientated towards small businesses and job creation in Madrid. **This model must be based on public-private partnerships, a strong political and financial commitment from the government and private sector and a solid efficient microfinance institutions network.**

The main steps to develop this financial inclusion model to create employment in Madrid are the following:

- Establish an appropriate regulatory framework recognising the importance of entrepreneurship and supporting the provision of appropriate financial services for micro and small enterprises.
- Conduct deep market research to identify needs and market gaps in promoting entrepreneurship that serves existing micro and small enterprises.
- Design a comprehensive strategy to support entrepreneurship and increase access to financial services and appropriate business advisory for small enterprises to grow and succeed.

The implementation of this model requires concrete actions in order to overcome the main challenges that micro and small businesses face in Madrid. The strengths of the New York model are taken as starting point.



Strengths of the inclusive financial system in New York

- A. Strong civil and political commitment for inclusion of micro and small businesses through entrepreneurship and access to finance.
- B. Significant commitment for public and private financial resources.
- C. Strong entrepreneurship culture.
- D. Extensive entrepreneur support network based on public-private partnerships.

Challenges to be overcome in Madrid

- A. Limited civil and political commitment to entrepreneurs, micro and small businesses.
- B. Limited public and private financial resources.
- C. Limited support for entrepreneurial initiatives.
- D. Lack of coordination to support entrepreneurship and access to finance for micro and small enterprises among public and private agents.



Below are described the eleven measures recommended to develop the model in Madrid.

7.1. FOSTER POLITICAL SUPPORT TO PROMOTE ENTREPRENEURSHIP AND ACCESS TO FINANCE FOR MICRO AND SMALL ENTERPRISES

One way of achieving this objective is to promote a strong institutional framework supporting both entrepreneurship and access to finance and services for micro and small enterprises. This is why strong political commitment behind the idea that self-employment and entrepreneurship are powerful mechanisms of job creation is so important. In a context of high unemployment rate and limited job capacity of the medium and large businesses, innovative or technology-based entrepreneurship cannot be the only supported option but it is important to promote small traditional businesses (such as hair-dressers or shoe store in the neighbourhood). This issue is compounded by the fact that thousands of small businesses in Madrid are in urgent need of access to funding. Providing better access to funding to small enterprises is fundamentally part of the solution.

In practical steps, political commitment and political support could be fostered by implementing the following measures:

Recommendation 1. Create a solid institutional framework for entrepreneurship and financial inclusion:

- **Design and adopt the Entrepreneur Law** (or Plan) and
- Ensure the Law or Plan includes a strategy to design an inclusive financial system aimed to support micro and traditional small businesses.

Recommendation 2. Include the following aspects in the new Entrepreneur Law (or Plan):

- **Reduce the administrative procedures required** to obtain permits and launch new businesses.
- **Establish minimum quotas for public outsourcing and procurement** to micro and small businesses.
- **Provide tax incentives** for companies with public contracts to hire micro and small businesses.
- **Offer consultancy services** for entrepreneurs so they can more easily access public contracts.

- **Improve the management procedures** for procurement purchases and guarantee a fast payment of these purchases by the public administration.
- **Provide tax incentives to increase procurement purchases made by private companies from small businesses.**
- **Encourage the injection of capital and debt** specifically designed to increase access to funding for self-employment, micro and small businesses.

*"Willingness is crucial at all levels, including high-ranking government officials and financial system executives".
Julia García-Vaso, AMESAL*

Recommendation 3. Create a specific department within the public administration to develop small businesses:

- Conduct a deep market research on the employment situation in Madrid, involving owners of micro and small businesses, in order to further **understand market needs**. Following this research, develop a strategy to support and develop self-employment, micro and small businesses.
- Depending on the demand, **determine which services can be offered** to support entrepreneurs at all stages of business development **in an efficient and high quality manner**. The incubator network of Madrid Emprende and its equipment could be strengthened to serve as a base for small businesses' support centers. The Entrepreneur Campus Program could be also reactivated to establish partnerships with public and private universities, creating support centers in those universities co-financed with public funds and in-kind contributions (i.e., facilities, equipment, etc.).
- **Establish solid and effective partnerships with law offices to offer pro-bono advice** in legal, labor and tax matters.
- **Establish agreements with private corporate companies** to create **a network of mentors and business advisers** through corporate volunteering.
- Offer to micro and small businesses a **recruitment service (job exchange) and training services for employees**.
- **Evaluate the opportunity to create commercial brands** for the services the city offers to entrepreneurs and small employers in order to minimize the negative association that public services usually generate.

Recommendation 4. **Encourage commitment and responsibility towards the community:**

- **Develop an awareness campaign centered around themes of belonging and solidarity** with local and residential communities. These campaigns can be developed through partnerships with schools and the local media.
- **Promote the creation of commercial districts** in depressed areas in the city to launch micro and small businesses.

7.2. INCREASE THE AVAILABILITY OF PUBLIC AND PRIVATE FINANCIAL RESOURCES

In the current environment; the Spanish economy is suffering from a drastic lack of liquidity. But in order to develop an inclusive financial system, **it is important to support the injection of public and private financial resources, specifically designed to increase access to capital for entrepreneurs and micro and small businesses; and to increase the availability of public and private resources to ensure the provision of consultancy services for entrepreneurs.**

Recommendation 5. **Increase the availability of financial resources from the private sector:**

Before proposing any practical recommendation and to ensure increased private sector involvement, especially from banks, a financial system focused on the inclusion of micro and small businesses needs to be based on appropriate investment risk and return. It is important to design mechanisms to help reduce the transactional risks and increase the chances of success of the new businesses and small companies requesting funds. The key elements are to improve training and consultancy for entrepreneurs and increase the professionalization of the entities providing support services. We therefore propose to:

- **Encourage the creation of microfinance institutions (MFIs)** similar to Community Development Financial Institutions (CDFIs) in New York, capable of providing business advice at the same time they provide loans. This can be supported by:

- Create a public-private fund involving the government, commercial banking institutions and private companies (with fiscal benefits) to provide grants or debt funding to these MFIs. Grants will be used for the provision of business services to entrepreneurs.
- Facilitating the transformation of Microcredit Support Social Entities (MSSE) into real MFIs, similar to the Community Development Financial Institutions (CDFIs) in the United States.
- Developing a certification / accreditation system for these MFIs.
- Strengthening institutional and human capital of MFIs.

- Offering tax incentives for public and private donations for these MFIs.
- Coordinating the access of the public administration and MFIs to the tools proposed by the European Union for financial inclusion initiatives (for example, European Micro Financing Facility PROGRESS, which offers guarantees and funds for microcredit portfolios, or the guarantees offered to financial intermediaries by the European Investment Fund under the Competitive and Innovation Program).

"Any social entity willing to implement a micro credit program needs to borrow. If you want to grow and reach a certain level, in order to provide loans you must borrow".
Guillem Arís, CP'AC

"It is essential for this sector to search for financing mechanisms beyond banks. One of these tools could be a model of "micro stock-exchange" to canalize and regulate investments in capital for small businesses. It would be a way to ensure investments as well as a way to diversify their risk and investments for investors".
José Antonio Cárcamo, MITA

- **Engage the private banking sector through appropriate regulation and incentives in line with the objective of expanding access to financial services. This incentive would encourage commercial banks to support the economic development of the communities where they are present, especially in low income areas. A framework for the financial sector must be defined, including evaluation criteria and credit commitments, investments and service delivery.**

"Without commitment and participation of the financial sector, financial inclusion cannot exist".
Guzmán García, European Social Fund

"The banking system is the one that can solve the need for funding. Public administrations must establish the conditions for banks to make the money flow".
Pedro Granado Cordero, ENISA

- **Involve private corporate companies and encourage support from the Social Corporate Responsibility departments by providing human and financial resources.** For example, corporate volunteers can become a resource for training and advising small businesses while involving the professional employees of large corporate companies.

"It is necessary to change the mentality of searching for financing from NGOs and MSSEs (Micro credit Support Social Entities). Public resources are important but cannot represent 90% of funding. The challenge is to search for different ways of sustainability, including more private funds".

Raquel Alcaraz, Fundación de Mujeres Progresistas.

Recommendation 6. Review financing mechanisms and the use of financial resources from the public administration

The sustainability of the financial inclusion sector, in developed countries, is always difficult to reach due to several factors: the limited volume of loans to be distributed (no critical mass), limited profitability linked to small size of the loans and the high costs of advisory services. However, the importance of a financial system supporting micro and small enterprises and the **injection of public resources are justified by their social and economic return. It can also constitute a cheaper alternative in comparison with the important public expenses to cover unemployment benefits.** The creation and consolidation of small businesses by the unemployed population implies increased job creation, leading to additional social security contributions, higher revenue collection, as well as, lower public expenditure for unemployment benefits and, finally, greater social cohesion. For all these reasons, we could and should:

- Consider supporting **entrepreneurship as a new tool to fight unemployment and reassign part of public funds** for this purpose.
- Use fiscal incentives, similar to CRA and other mechanisms to promote public-private partnerships to attract more resources for the inclusive finance sector.
- Allocate public resources to create a fund providing **loans and guarantees to banks and MFIs to ensure distribution of unsecured loans** to entrepreneurs, micro and small businesses.
- **Monitor** usage of the loans to target audience, i.e. entrepreneurs and small business owners.

"Currently the credit lines and public support are limited and never know how long they last. The lack of continuity is a big problem. At a time like this, when more self-employment initiatives are arising, it is exactly when more funding is needed, and is when we find less."
Sophie Lens, Fundación de Mujeres Progresistas, Transformando and Fundación Incluye

7.3. ENCOURAGE ENTREPRENEURIAL INITIATIVE AMONG POPULATIONS THAT ARE MOST AFFECTED BY UNEMPLOYMENT: middle class, university students and unemployed workforce

Promoting the entrepreneur culture in a society is a complex and lengthy process which needs to address the following challenges:

Recommendation 7. Raise awareness in Spanish society about the potential of entrepreneurship

- **Support research and impact assessments** which justify programs for entrepreneurship and access to finance as an efficient policy to support employment.
- **Build bridges between unemployment, self-employment micro and small businesses.**

Recommendation 8. Promote entrepreneurship in the educational system, from primary school to universities

- Adopt an educational approach that encourages creativity and individuality of children.
- **Value and promote technical professional training.**

"100% of experts consulted to conduct this study considered that entrepreneurship is not encouraged in Spanish primary and secondary schools, and only 14% of them believe that Spanish universities provide adequate training."
The White Book of Entrepreneurial Initiative in Spain

Recommendation 9. Strengthen financial education programs among populations most affected by unemployment

- **Design appropriate financial education programs by engaging the private sector and MFIs to target potential entrepreneurs (middle class, university students, unemployed) and ensure an appropriate selection and use of financial products and services.**

"We find employers and entrepreneurs with very weak financial and management training. For example, loans and lines of credit are used under the same criteria, with the latter being a dangerous tool if it is not used properly".
Ana Martínez García, Banco Pichincha

7.4. PROVIDE LEADERSHIP TO THE SECTOR WITH COORDINATION FROM THE PUBLIC ADMINISTRATION

A good coordination between the different public and private agents that work in an inclusive financial system is key to centralizing resources, developing shared systems and encouraging specialization. In order to create public-private partnerships, it is essential to have clear leadership by the public administration focused on achieving the following goals:

Recommendation 10. Develop a specific agenda for coordinating efforts to promote financial inclusion of micro and small enterprises between regional and local government, universities, financial institutions, private corporate companies and MFIs

- **Perform a deep diagnosis, which can be driven by universities, of the existence, content and impact of the existing private and public initiatives supporting entrepreneurship**, in order to coordinate actions and avoid duplication.
- **Develop assessment tools and measure results** of access to finance programs for micro and small enterprises on job creation.

Recommendation 11. Foster cooperation between MFIs

- **Support the creation of a public-private central body to provide services to MFIs: the Microfinance Institute.** This institution would be responsible for providing management systems to institutions, defining an accreditation system, developing codes of conduct, promoting best practices, etc.
- **Promote the creation of cooperation networks and platforms** amongst commercial banks, microfinance institutions and small business support centers.

The implementation of the above mentioned recommendations takes time. Some actions are quicker than others. However, the development and consolidation of a sustainable financial inclusion model for micro and small businesses is a key driver for job creation and economic growth; not just for Madrid, but also for many other Spanish and European cities.

VIII. ANNEXES

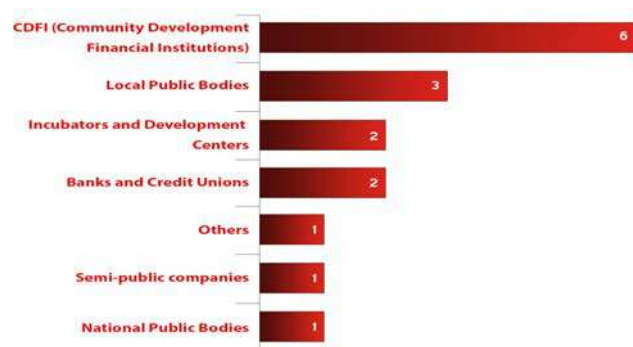
ANNEX I. Methodology and structure of the research

Interviews with industry experts

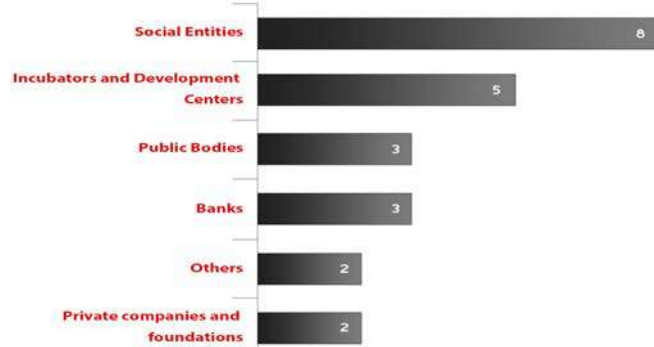
In order to know the existing initiatives for the promotion of micro and small businesses in New York, in May 2012, industry experts were interviewed from 16 different organizations in the inclusive finance sector in the city. The institutions to interview were selected after a thorough review and with the help of the Department of Community Development of Citibank in New York.

Furthermore, in order to know the latest news of the microfinance sector in Madrid, and study the possible replicability of New York initiatives to the Madrid context, 23 interviews were conducted with experts from leading institutions related to the promotion of entrepreneurship and financial inclusion in Madrid.

Type of institutions interviewed in New York



Type of institutions interviewed in Madrid



Literature review

Finally, to complete and verify the information obtained from these interviews, we have also reviewed a wide variety of secondary sources to study the actual situation and evolution of entrepreneurship and inclusive finance sector in both cities.

Type of secondary sources reviewed

Opinion articles	11	TOTAL = 124
Research articles	10	
Press notes	7	
Statistics Databases	18	
Annual reports and institutional documents	12	
Web pages	33	
Research reports	33	

ANNEX II. Entities and experts interviewed

• New York:

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION – (CDFI)	
Washington Heights and Inwood Development Corporation	▶ Dennis Reeder, CEO
Business Outreach Center (BOC) Network	▶ Nancy Carin, Executive Director ▶ Steven M. Gómez, Director of Special Initiatives - BOC Capital Corporation ▶ Sujatha Sebastian, Program Director, Women Business Center BOC
Project Enterprise	▶ Althea Burton, Center Manager
Business Center for New Americans	▶ Yanki Tshering, Executive Director ▶ Zacheriah Logan, Loan Officer ▶ Vish Dasma, Senior Loan Officer
Accion USA	▶ Paul Quintero, Chief Executive Officer
East Harlem Business Capital Corporation	▶ José S. Garza, Executive Director

LOCAL PUBLIC BODY**Harlem Community
Development Corporation**

- ▶ Curtis L. Archer, President
- ▶ Thomas G. Lunke, Director of Planning
- ▶ Wayne A. Benjamin, Director of Residential Development

**New York City Department of
Small Business Services**

- ▶ Kevin Kelly, Deputy Commissioner
- ▶ Colleen Galvin, Assistant Commissioner Financial Services and Capital Access

**New York City Business Solutions
Center**

- ▶ Zahra Amanpour, Executive Director Program Management

NATIONAL PUBLIC BODY**US Small Business Administration**

- ▶ Jorge P. Silva-Puras, Regional Administrator for NY, NJ, PR and USVI areas

SEMI-PUBLIC COMPANY

New York City Economic Development Corporation

- ▶ Maria Torres Springer, Executive Vice President and Chief of Staff of the President's Office
- ▶ Joshua Winter, Chief of Staff, Economic Transformation Center
- ▶ Hunter Goldman, Senior Project Manager, Government and Community Relations

INCUBATOR AND DEVELOPMENT CENTERS PUBLIC-PRIVATE

NewYorkDesigns - Small Business Incubator at LaGuardia Community College

- ▶ Natalia Argüello, Director

LaGuardia Community College Small Business Development Center

- ▶ Rosa A. Figueroa, Director

BANKS AND CREDIT UNIONS

Citi Community Development

- ▶ Rei Pérez, Vicepresidente, Community Development Officer N. Manhattan & Queens
- Edward Odom, Vice Presidente, Citi Community Officer Bronx, Brooklyn, Staten Island y Upstate

Brooklyn Federal Credit Union

- ▶ Samira Rajan, Chief Executive Officer

OTHERS

Blauen, Ltd.

- ▶ Margaret Scheffs, President, entrepreneur

- **Madrid / España:**

SOCIAL ENTITIES PROVIDING FINANCIAL INCLUSION SUPPORT	
MITA ONG	▶ José Antonio Cárcamo, Director
Fundación Tomillo	▶ María Elena Francia Guevara, Director of Business Incubator Villaverde
Federación de Mujeres Progresistas	▶ Raquel Alcaraz Rodriguez, Entrepreneurship, Self-employment and Microcredit Manager ▶ Sophie Lens, Microcredit Technician
Transformando	▶ Sophie Lens, Partner on leave
Fundación Incluye	▶ Sophie Lens, Partner on leave
CP'AC – Fundación Privada para la Promoción del Autoempleo en Cataluña	▶ Guillem Arís i Coderch, Coordinator
Economistas Sin Fronteras	▶ Lucía Rodríguez Prieto, Coordinator of the Area of Business Incubator
AMESAL (Asociación de Mujeres Empresarias de Sociedades Laborales)	▶ Julia García Vaso, Directora

BANKS

Citibank

- ▶ Julio Carlavilla, Director of the Communication Department
- ▶ Rodrigo García de la Cruz, Relationship Manager
- ▶ Fabián A. Orue, Business Director. Business Banking

Banco Pichincha

- ▶ Ana María Martínez García, Director of Business Development

PRIVATE INITIATIVES AND INCUBATORS

SocialNest, social entrepreneurship

- ▶ Pepa Casado, Asesor de Empresas

Busining - Emprendering

- ▶ Paloma, Iñigo Gómez, Communication

UNIVERSITY INITIATIVES AND INCUBATORS

Compluemprende – Complutense University in Madrid

- ▶ Pepa Casado, Asesor de Empresas

Business Incubator of the Scientific Leganes Technological Park, University Carlos III of Madrid

- ▶ Emma Crespo Beistegui, Business Incubator Manager

PUBLIC INITIATIVES AND INCUBATORS**Business Incubator of Villaverde,
MadridEmprende**▶ María Elena Francia Guevara,
Director**NATIONAL PUBLIC BODY****ICO – Official Credit Institute**▶ Francisco Javier Gómez, Area
Manager of Mediation
Management**LOCAL PUBLIC BODY****Collado Villalba City Council,
Development Office**▶ Gregorio Dávila, Former Director
of the Economic Promotion Area**EUROPEAN PUBLIC BODY****European Social Fund**▶ Guzmán García González-Posa-
da, Technician**PUBLIC COMPANIES AND FOUNDATIONS****ENISA, S.A.**▶ Pedro Granado Cordero, CEO of
Institutional Relationships**Fundación INCYDE**▶ Aurelio Jiménez, Director of
Planning and Development**OTHERS****Association Madres de Día**

▶ Inés Gámez de Rus, President

Eva González Calvo▶ Doctorate in Microfinance,
Autonomous University of Madrid

ANNEX III. Main sources

• Web pages

- Coalition of CDFI
- Community Development Financial Institutions Fund, US Department of Treasury
- Office of the Comptroller of the Currency
- US Microenterprise 2011 Census Highlights: FY2010 Data
- Business Centers Association
- Small Business Profile NY STATE
- Madrid Emprrende
- Campus of Entrepreneur
- Network of Technology Parks of the CAM
- European Commission
- Wayra
- Hub Madrid
- Studio Utopicus
- Young Entrepreneurs Association of Madrid
- Bigbang Challenge
- Ideas 4 all
- Momentum project
- Triodos Bank
- Innovation Institute ESADE
- New York City Department of Health and Mental Hygiene
- New York State Office of Children and Family Services
- Association Madres de día
- Association for Enterprise Opportunity
- Accion Texas MMS
- Promo Madrid
- Infomorosos.com
- Forum of Microfinances
- Spanish Microfinances Platform
- Harlem CDC Planning Department
- New York State Office of Children and Family Services
- The Street Vendor Project
- The High Line

• Research articles

- *Microenterprise Development: A Primer*. FDIC Quarterly, Federal Deposit Insurance Corporation, 2011
- *Incubators, Accelerators and Initiatives to support Entrepreneurs* by @Aemiliusmg | TodoStartups, May 2012
- *OECD Territorial Reviews: Madrid, Spain*, OECD Press, Paris, 2007
- *The legal status of credit unions 100 years later*, Soledad Núñez Ramos, UNACC, 2012
- *Social clauses in public procurement. Challenges and Perspectives*, Purificación Medina Jurado, Cemci Journal, 2010
- *The role of immigrants in NYC*, Office of the NY State Comptroller, 2010
- BBVA Research. *Spanish situation*. Fourth Quarter 2011
- BBVA Research. *Economic Observatory*.
- *Special Emprender: The human factor*.
- *The High Line for Harlem*, Center for an Urban Future, 2010

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- *40 proposals to help creating businesses*, Expansion.com, May 2012
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- *Inauguration Speech of President Mariano Rajoy*, Efe.com, December 2011
- *Tourism remains the "Spanish Oil" despite the crisis*, Expansion.com, April 2011
- *What gives banking to entrepreneurs*, Expansion.com, March 2012
- *What Does Coffee Giant's Initiative Mean for America's Micro Businesses?*, Huff Post, November 2011
- *Small Business Access to capital*, Profit Wise News and Views, May 2012
- *Activity Revitalization Act*, Espormadrid.es, July 2012
- *Street Vending as a Way to Ease Joblessness*, The New York Times, 2009
- *Street Vendors Deserve a Break*, New York Post, February 2012
- *StartupSpain, un plan España Emprende*, Elconfidencial.com, November 2011

• Press Notes

- State Labor Department Releases, Area Unemployment Rates, May 2012
- Quarterly National Accounts of Spain. Base 2008 Third Quarter of 2011. INE, Press notes, November 2011
- DIRCE, Press note on access to business funding, May 2011
- DIRCE, Press note on demography and business structure, August 2011
- DIRCE, Press note on business creation, November 2011
- DIRCE, Press note on active population survey, April 2012
- DIRCE, Press note on Gross Domestic Product, December 2011

• Annual reports and institutional documentation

- *The NYC Executive Budget FY2011*
- Bank of Spain. *Financial Education Plan 2008-2012*
- BBVA – *Financial Education Global Plan 2009-2011*
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