



Networking Credit

Assisting small entrepreneurs in Norway

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Background

Country of origin is Bangladesh

Networking Credit has its origin in Bangladesh. Muhammad Yunus was the innovator of a project called Grameen Bank, which is the basis for today's Networking Credit system. Mr. Yunus starting point was that normal people have problems in getting loan to a reasonable interest, so they can buy raw material and equipment to the production they run from morning till night. Today there are Grameen Bank projects in over 60 countries around the world.

The core in Grameen system is the actual banking business. Persons who will establish themselves in business can borrow money at reasonable terms. 97% of the loans are paid back as agreed upon. The reason is that Grameen Bank does more than lending money. The borrowers are organized in groups, they are being included in a social network and they take part in a learning process that includes far more than the project they have borrowed money for.

The Norwegian Nobel Committee decided to award the Nobel Peace Prize for 2006, divided into two equal parts, to Muhammad Yunus and Grameen Bank for their efforts to create economic and social development from below. Lasting peace can not be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means.

From the modest beginning three decades ago, Yunus has, first and foremost through Grameen Bank, developed micro-credit into an ever more important instrument in the struggle against poverty. Grameen Bank has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world, so also in Norway where we have named it "Networking Credit".

The first project in Norway was started in the northern part of Norway as a pilot project in 1992 and was called Kvinnebank – or Women's bank in English. The model from Bangladesh was adjusted to Norwegian conditions, and became the starting point for today's Networking Credit model in Norway. This is now a policy instrument that applies in every part of Norway.

Innovation Norway is a state owned company. One of its core tasks is to provide help for Norwegian companies. The Networking Credit has become a funding scheme which Innovation Norway administers. Nowadays men can also participate in Networking Credit groups in Norway.

2. Networking Credit

Networking Credit groups:

- § Best suited for individual entrepreneurs who don't need a big start capital
- § First time establishers or for those who want to develop their company
- § For people who need and want the support of a network
- § The group-members have to save some money every month

In order to become a member of a Networking Credit group in Norway, you have to accept the set of rules for the group, and sign the Networking Contract.

The Networking Credit rules is set by Innovation Norway, which is the administrator of the Networking Credit system in our country. These rules shown below, lay the fundamental framework for the Networking Credit group's work. We would also like to show the clauses in our Networking Contract.

We regard these rules and this contract to be a vital basis both for the Networking Credit system and for the Process leader's education. This is the reason why we have chosen to enclose both documents in this presentation.

SET OF RULES

1. General.

1.1. Minimum requirement. These rules represent a minimum standard for Networking groups.

2. Target group

2.1. Small entrepreneurs. This system address small/micro entrepreneurs who want to start small businesses with a limited capital need.

2.2. Participants in the group. It is expected that the individual members starts their own business within 2 years. The members are not to be related, and there should not be more than 2 engaged with the same project.

3. Formation of the group

3.1. Organizing a group. The group has to register as an organization in a national register.

3.2. Establishing the group. The group shall have from 5 to 7 members. The group has to have an approved Process leader and a written contract.

3.3. The Networking contract. All the members must understand the set of rules and sign the networking contract.

3.4. New members. Persons, who want to become a member, can go through a member. The group can discuss this at a meeting.

3.5. Admission of a new member. Admission of new members has to be unanimous (in unison).

3.6. Withdrawal of a member. A member can leave the group if there are minimum 5 members left. If there aren't, the person must wait till a replacement is found. The leaving member must pay back the loan before leaving.

4. Organizing the work

4.1. The start-up phase. The group must meet every other week in this phase.

4.2. The continuance-phase. The group should have meetings at least once a month after the start-up phase.

4.3. Group-leader, secretary and paymaster. These duties should be divided at the first meetings by election. The duties are to be held for at least half a year, and should be changed. The group-leader manages the finances, makes the agenda, leads the meetings and is co-responsible for trainings. The secretary makes the meeting reports and calls meetings outside the agreed meetings. The paymaster has the overview over the group's capital and savings, and controls the money-flow from or to the members.

4.4. Meeting-time and place. At every meeting a new meeting-time and place is set.

5. The group meetings

5.1. Agenda. The group leader makes the agenda and leads the meetings.

5.2. Meeting report. The secretary writes the meeting-report in the group's minute book.

5.3. The member's situation. At every meeting the member's situation and progress is discussed. Need for help and support is identified, and adequate initiatives are taken. Problems with payback are discussed, and new loan applications are considered.

5.4. Savings. The paymaster overlooks the individuals' savings, and gives an overview at every meeting. The meeting-report reflects each member's savings.

5.5. Documentation of loan installment. The members show documentation about payments for their loans. The payment is checked against the payment-plan, and any divergence is discussed.

6. Handling project-applications

6.1. The content. The members decide to approve a loan application or not, based on the application. This application must contain:

- Ø Personal information, background
- Ø A summary of the project
- Ø The project's goal and idea
- Ø Eventual partners
- Ø Progress plan
- Ø Project-costs and a financing-plan
- Ø Market description
- Ø Operating budget

6.2. Granting a loan. There must be full agreement among the members if a loan is to be given and about the loan-amount.

6.3. Pay-out of the loan. The loan is paid out when the loan-taker has signed a debt certificate. The member has to document that the money is used according to the project-plan.

6.4. Repayment of the loan. The group sets the terms of repayment, and makes a plan over the repayment.

6.5. Personal liability. The member is personally responsible for her loan to the other members of the group.

6.6. Interest and repayment. Interest and part payment is paid at the end of each month. Divergence must be discussed and approved by all other members in the group.

6.7. Withholding the savings. The group has the right to withhold the loan-takers savings if the loan is default with the payment.

7. Loan raising

7.1. Other loans. The members can not take other personal business-loans during the time they are borrowing money in the group. The loan has to be fully repaid before the member can take up a new loan outside the group.

7.2. Maximal loan. The group can not lend out more than 80% of the total loan-capital.

7.3. The number of loans. Not more than 3 members can get a loan when the group is new. Everyone in the group should get a chance to loan money before anyone is given a second loan.

7.4. The loan-size. The maximum amount for a loan is decided by the group.

7.5. Interest and setting-up fee. The group decides the interest. It can also agree that there should be a setting-up fee, if they so want.

7.6. Loan-expansions. If a member is granted a new loan before an old is repaid, the first loan has to be formally repaid first.

8. Collective savings

8.1. Monthly savings. Every member is going to save an amount every month, either the member has a loan or not.

8.2. Withdrawal of the savings. The savings stays in an account as assurance for loan, as long as the individual is a member. When a member leaves the group, she can have her saved money back with interest as agreed by the group.

9. Information and reporting. Before the end of June, the Networking Credit group has to send an annual report to the county office. The annual report gives information about the activity in the group, according to a given form.

NETWORKING CONTRACT

By signing this contract, the individuals agree to the following:

- § They want to participate and be a member of this Networking Credit group
- § They know the set of rules and commit to these rules

The following premises are also accepted:

- § Active participation in the group
- § Collective savings
- § Payback of loan according to the set payback-plan and given interest
- § The group-members have security in purchased movables
- § An annual report is to be sent the county office by the end of June

This contract also lay down these rules:

- § The loan-capital given is € 25,000
- § The loan-capital is to be returned when the group cease to exist
- § If the loan-capital is unused for 2 years, it can be called back
- § If the group presents incorrect information, or the capital is used in conflict with the rules, the loan-capital can be called back
- § Payback of the loan-capital can be fully or partially cancelled, if the money is lost. This exception can only be given after a special application
- § The group has a joint responsibility for maintaining the capital
- § Every member has mutual obligation to maintain secrecy of the activities in the group
- § The group has a signed contract with a verified Process leader (name)

This document is signed by all the members (including their national identity number) and the Process leader.

The work in a Networking Credit group

As shown over, the set of rules and the Networking Contract states many stipulations and guidelines for the groups. In this section we will emphasize some of these areas.

The different parts:

- § Tasks and duties in the group
- § The meeting agenda
- § System and structure
- § Annual meeting

TASKS AND DUTIES IN THE GROUP

There are different functions in the group. The different duties go in a circle, and we prefer that the members swap duties every year. This is an important part of the learning-process in the Networking Credit system.

The leader

The group-leader has the general responsibility. She has to make sure that rules and regulations in the Networking Credit system are being followed. This is particularly important when the Process leader no longer is attached to the group.

The rules state that the group-leader has the responsibility to keep economic overview, make the agenda for every meeting, be the chairperson and lead the meetings and shares the responsibility for trainings and other competence raising activities.

The secretary

The rules make it clear that the secretary makes all the reports after the meetings, and calls the meetings which are outside the determined program.

The paymaster

The rules say that the paymaster is to maintain overview over the members' saving- and loan-situation.

THE MEETING AGENDA

Some groups use a standard agenda for every meeting, and some send a new agenda ahead of their meetings. Regardless, there are some issues that have to be included in all the group meetings:

- § It is important that a report is being made after the meetings. The report must also include information about who was present and absent.
- § The individual member's progress and situation should be a theme at every meeting. There are several ways to organize this: Some share the time equal between the members, some take a short round with all the members and focus especially on one person at every meeting. This will also vary with how much is going on with the person's company.
- § The economy must be an issue at every meeting. The paymaster makes an orientation about the savings, who has been saving and how much is on the account right now. She must also tell about payback of loans and other financial conditions.

SYSTEM AND STRUCTURE

Our experience tells us that this is a very important area. It is of vital importance that the group has a good system of their documents. We always recommend that the group-leader has a book or a portfolio where she keeps all the documents the group sends and receives. In the same way, the paymaster should collect all the financial documentation and have them in a solid system. The secretary, of course, collects and has control over the reports from every meeting. All these books or portfolios must be kept in such a way that it easily can be delivered to the next person that gets this duty.

ANNUAL MEETING

The annual meeting is a good opportunity to look at the group's state of affairs. What the members have achieved in terms of business? Which challenges are met and which difficulties lie ahead? Have the trainings given the desired increase in the members' competence?

Financial status

The paymaster gives a thorough overview over the group's financial situation.

Elections

We recommend that the members shift or swap the duties. This is a part of the earning process, which is one of the corner-stones in the Networking Credit system.

Plan for next year

Each member should talk about their plans and hopes for their businesses for the next year. It is important to have a goal to work towards.

The group should talk about the expectations and needs the individual members have for the coming year. They must work for a joint attitude and focus in regard to what the membership should involve.

They should also plan some potential trainings they want to attend, or find out which competence-needs they have as a group. The group can also plan what they want to use the saved money on, and discuss what they should do in other economic matters, such as how much they should use the Process leader.

3. The Process leader

The Process leader is to be involved when a new Networking Credit group is established, and has a responsibility for 2 – 3 year after the start. The Process leader has many varying tasks. In Norway we have a separate education program for our Process leaders. This next section will show some of the Process leaders main tasks, and we will give a quick overview of the educational program.

In Norway we see it as important to have an education program to insure both that the rules are followed, but also to provide all the groups with Process leaders with a joint understanding about the rules - how they are to be understood. It's also important for us to have leaders who know his or hers tasks, have a certain attitude and focus in her work with the groups.

The Process leaders in Norway attend an 8 hours training. The main focus is on our model for Networking Credit and on the Process leader's different tasks. In addition to this 8 hourstraining, the Process leader is also obligated to attend observation/sit in with an approved Process leader for at least 6 hours or 3 meetings, before she/he gets certified by Innovation Norway. At the end we have 2 hours follow-up.

The education program

- § The Process leader's tasks
- § Set of rules
- § Economic and network competence
- § The Process leader's portfolio

The Process leader's tasks

The Process leader guides the establishment of the group, both in regard to the practical doings and by explaining the rules and contract to the members. It is important that the group members get a joint and full understanding about these regulations – as they are the framework for their group.

In the process of establishing a group, there are several formal tasks that the Process leader is to take care of.

The Process leader leads the first meetings with the new group, and educates the members about the different aspects of the group's tasks. It is essential to form good working habits and a functional meeting structure. In the beginning the Process leader will also assist the group when the members apply for a loan. The Process leader is helpful whenever there are problems or challenges within the group, and works to build the group together as a team, with respect for one another and good working relations. As you can see, the Process leader has an important role for the Networking Credit group – especially in the beginning, but also during the 2 – 3 first years.

The set of rules is the basis

The set of rules for Networking Credit groups forms the basis of the system. The Process leader must have a full knowledge of these rules, and use them as a basis for her work with the group.

Economic and network competence

We aspire to be loyal to the ideas behind Networking Credit. Therefore it is important that the Process leaders not only know the concept but that they act accordingly. The economic aspect of Networking Credit is easy to understand. The group must learn to consider loan applications. They also must learn which issues one must consider when applying for a loan. In addition they have some accounting within the group. The Process leader has an important role in educating the group members in these matters.

Money is one issue, but the Process leaders need to focus on other things as well. The leader training program stresses the Networking Credit as "a way of thinking". National and international surveys show that it is the dynamics in the group that is of the utmost importance for the members.

The Process leader must work to build the group to act together as a team, with respect for another and good working relations. In some groups this will come almost automatically, and in other groups it will cost a lot of work. In these cases it is vital that the Process leader introduces good and rational routines, so everyone know what is going to happen at the meetings and what is expected of every member of the group.

The group shall and must be a place where the individuals can get help, advice, inspiration, challenges, comfort and so on. Sometimes one needs comfort, other times a kick in the butt. There is place for all this in a well functioning Networking Credit group. A Networking Credit group should be a place where we can discuss our business or projects, and where we can learn from each other. The Process leader must work to get the group to function in such

way. The training program includes points on how to get the group to work well as a team. But we are also recognising the fact that the individuals and the groups are different, and that the Process leader must take this into consideration in her work.

To sum this up: Our training program for Process leaders contains a wide range of topics, and through this training we get competent Process leaders – which is a must if the Networking Credit group is to be a success.

The Process leader's portfolio

This is a collection of the different documents and rules which are needed in the leaders work with the Networking Credit groups. This is an important toolbox for the Process leaders, and contributes to a joint method of operation among the Process leaders. They work by the same rules, act according to the same fundamental ideas and use the same documents in their work.

The portfolio exists both as a paper version and as a CD in a digital version. When the documents are on a CD, the Process leaders can easily change them and use them. It's also important for us that we easily can change and develop this portfolio. We can send changes or additions to the Process leaders, so they can update their portfolio. This way we can make sure that the portfolio always is up to date.

4. Organizing Networking Credit groups

In Hordaland County we have 24 Networking Credit groups working after the principles shown over. In addition, we have a County organization, called Network West (www.nettverkest.no). This is an umbrella organization for all the Networking Credit groups in our county. In this section we give some information about this association, because it has become a new and valuable build-up factor for the Networking Credit work in our County.

Some of the standards for Networking Groups in Norway:

- § 5 to 7 members
- § € 25,000 as loan capital
- § € 12,500 for the Process leader
- § € 6,250 in competence capital
- § The group decides the loan size, interest and terms of repayment
- § The members must follow a set of rules and sign a Networking Credit contract
- § Monthly savings

The Networking Credit system is regulated through national rules and regulations, and is managed by a state company called Innovation Norway. This company has local branches in most counties, and these local departments are given decision-making authority. They can for instance decide how many new groups they will start each year.

In 2003 we started an umbrella organization for all the Networking Credit groups in our county. In the board of this organization there are 3 Process leaders and 4 Networking Credit

members who are currently in business. The board meets twice a year, and works among other things to plan the trainings they would offer to the members.

The members of the County organization get:

- § A wider network and a new arena for cooperation and development
 - § Visit and help from the county coordinator
 - § Updated address and mailing lists
 - § Information about relevant events
 - § Trainings with the topics they choose*
 - § 2 days Annual meeting with competence upgrading initiatives*
- *A small fee is paid by the participants

This organization is mainly financed through means from Innovation Norway's branch in Hordaland. Innovation Norway has also given the organization extra funding for use to joint initiatives for the groups – such as courses and other competence upgrading activities.

Network building is important for all our courses and gatherings. By setting of time and focus on network building, we experience that the members exchange information, and new contacts are being made. Having an organization like ours creates a platform where members from the different groups can come together, be network-builders and develop their businesses. This is a very important factor for us.

We hope we have managed to present this important topic in an understandable fashion, and that this presentation has been useful for you.

Regards,

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