

Which local governance to achieve a greater impact?

Round table // Social and solidarity economy



Moderator

Jean Karinthe

Director, Maison des Associations du Deuxième Arrondissement (Associations' building of the Second City Area), Paris City Hall

Speakers

Perrine Lantoine-Rejas

Microfinance and philanthropy Project Manager, Fédération Nationale des Caisses d'Épargne

Fédé-

Georges Métayer

Head of Innovation and Social Entrepreneurship, Red Cross

French

Gérard Longatte

Head of Partnerships, MACIF

Jean-Michel Ricard

General Director, SIEL Bleu

Executive summary

Local governance is a key factor in the success of development projects. It consists of different approaches that aim to better include local stakeholders in the decision-making process, which brings solutions to the fact that, quite often, decision centres are located far from the actual location of the projects. This round table tackled a few of these aspects, particularly the issue of local governance, the cooperative status, user participation, the cooperation between companies and civil society, the role of employees in the management of their companies, the implication of volunteers, etc.

These questions were illustrated by a series of first-hand reports and concrete examples, which show how local governance enables a better identification of the needs, the adaptation of strategies at the local level, and innovation. But the difficulties must not be underestimated: the speakers underlined the importance of training local operators, the time that is required to set up local cooperation with a lot of different actors, and, above all, the challenge of scaling up. How can local governance contribute to inclusive solutions at the global level?

Synthesis

The moderator first invited the speakers to describe their vision of governance within their respective organizations.

According to **Perrine Lantoine-Rejas**, the governance issue arises at two different levels for the savings banks that are part of the **Fédération Nationale des Caisses d'Épargne** (National Federation of Savings Banks). First, this notion relates to their cooperative status and the implication of their shareholders and their elected representatives in the decision process. Second, it can also refer to the methods of cooperation used by the different Caisses d'Épargne branches with their stakeholders in their territory.

Regarding the first point, **Perinne Lantoine-Rejas** stated that the 17 Caisses d'Épargne branches are fully-operating banks and that, like other cooperative banks, their governance is established firstly at the regional level. The 4.3 million shareholders who hold their capital are represented by elected administrators, who contribute to the creation and the implementation of the company's strategy, both in the banking world as well as in the realm of social responsibility. Their central organ, BPCE, ensures, among other things, financial solidarity and a common strategy among the banks. The National Federation (FNCE) is responsible for the animation of the life of the network and for coordinating socially responsible actions. By nature, the Caisses d'Épargne branches thus have a decentralized governance model, as indeed they have had throughout their history.

In addition, as local banks, the Caisses d'Épargne banks are quite involved in the life of the territories where they are located. They work in direct partnership with the actors in each territory, which constitutes another essential aspect of their governance method. An example of local participation is their societal engagement policy, and particularly microcredit. The Caisses d'Épargne banks have indeed decided to make financial inclusion a key element of their social responsibility efforts.

They are today the main actor in personal microcredit in France through their Parcours Confiance operation (Path to Confidence). To implement this operation and better respond to the needs of underprivileged people, the decision was made to collaborate directly with actors specialized in social services: Communal centers for social action (CCAS), Secours Catholique and Restos du Coeur (French social-support NGOs), departmental councils, etc. Each actor plays its part: Caisses d'Épargne allocates microcredits and offers personalized banking and budgeting services, and the network of specialized social services assists the recipients with other aspects of social integration (employment, housing, health, etc.). Complementarities between actors are a key factor of success for the projects launched by microcredit recipients.

MACIF, represented by **Gérard Longatte**, has a narrower geographical scope (Nord-Pas de Calais) but follows decentralization principles as well. It was founded 50 years ago based on a direct governance model, where all shareholders participated in the governance of the company. As the structure grew bigger, it was decided in 1975 that the governance would

consist of two levels: local delegates and a board of administrators.

In 1987, MACIF's policy makers estimated that the organization was getting too big for representatives to truly represent people and have close ties with the shareholders. A regionalization system was therefore implemented. The operating territory was divided into 11 regions: each region elects a regional committee with a president. These regional committees together make up the General Assembly, which in turn elects a board of administrators, which elects a president.

In the Nord-Pas de Calais region, there are 180 delegates, which means one delegate for approximately 2000 shareholders. It works according to a classical pyramidal structure at the regional and national level. Representatives have both an elective role as well as real power. The representatives are the decision-makers, remarkably regarding the company's strategy and its social projects. This can be seen in prevention commissions, foundations, etc. As for MACIF's prevention actions, the tools may vary in each region (for example, lifeguards in one place, fire prevention in another). The aim is to find solutions that are tailored to the needs of each region. The representatives run these choices. Another example is that no partnership may be sealed without the approval of the elected officials. They hold the real power at the local level. In addition, there is spiritual dimension to this local governance: the representatives are "the soul and the conscience of MACIF"—they must represent the shareholders.

The **French Red Cross** currently employs 18,000 people and 52,000 volunteers. The organization is involved in five key areas:

- international relations and operations (Red Cross and Red Crescent movement), which can be emergency or long-term engagements;
- emergency and first aid, through general public education or cultural events;
- healthcare activities;
- social action – for example, the Red Cross operates 80% of emergency mobile social services in France, the 115 (an emergency social services number available throughout France), CHRS (Housing and social reintegration centers), emergency housing, welcome programs for migrants, psychological assistance, etc. –;
- and training (CR runs about 20 regional and corporate institutions and some 700 facilities).

How can we develop a governance model that serves both the volunteers and the institution? There is continuity between the volunteer activities and the professional institutions that have been created. The Red Cross is an original organization and an independent corporate body. The control of the organization is held by the General Assembly and, by delegation, by the board of administrators, the board of the board, and its president. The General Assembly consists of departmental and regional delegates. In

the field, governance is delegated. Decentralization measures were implemented in 2007 with the creation of regional delegations, which re-examined the governance of the Red Cross. The regional delegations receive competences from the General Assembly by delegation, which allows the Red Cross to adapt to each territory. This governance system also includes the ability to draw from a pool of methods, to create elected bodies, etc. The representatives ensure that the Red Cross is well integrated in the field. Decisions are made collectively. The representatives are assisted by supporting negotiators to improve their discussions with public and private partners.

SIEL Bleu, whose General Director is **Jean-Michel Ricard**, is an association created in 1997 to introduce prevention activities (appropriate physical activities) to high-risk profile individuals (seniors, disabled persons, persons suffering from chronic illnesses) as well as to corporate employees, with the objective of improving their quality of life and preserving the individuals' autonomy. The association employs 270 people in France.

SIEL Bleu has developed through the tremendous autonomy it has granted to its employees. They have set up associations in foreign territories, for example in Ireland. The organization's headquarters are located in Strasbourg. The Administrative Council consists of 8 people who ensure that the values of the organization are upheld. These administrators have precise job descriptions. At the local level, the employees spur the development of the organization. SIEL Bleu is an Ashoka fellow because of an innovative social model that relies on a commercial structure at the centre of the organization, as well as its social impact on the most vulnerable populations.

G rard Longatte underlined that the structure of MACIF, with its 11 regions, does not damage the ties between the shareholders and their mutual organization. The representatives are recruited locally, although they have to be trained as administrators.

Georges M tayer agreed, declaring that their representatives have the responsibility of negotiating budgets annually, and, although no high stakes

are involved, these officials are trained in order to understand a few key points of the negotiations with a public representative.

The elected representative works together with the employee to find a coherent structure that will make the partnerships as profitable as possible. The roles of the director, instructor, etc., are established in their job descriptions. The representatives benefit as well from continued instruction (officials may be re-elected at the end of each four-year term). This training enables better management.

Training administrators is also essential for the Caisses d'Epargne banks, because they are required to exercise their authority on subjects that can be very technical. To ensure balanced governance, it is thus essential to provide administrators with the means to understand and analyze the strategic stakes of a financial establishment. But the administrators also bring essential expertise to Caisses d'Epargne, i.e. their knowledge of the territory. The territorial network is extremely tight, since there are 275 local savings firms (soci t s locales d' pargne, or SLE), with 7 to 48 SLEs for each Caisse d'Epargne branch.

This knowledge of the territory is noticeable in the Caisses d'Epargne's social engagement initiatives: some administrators get to meet the partners, or even to participate in microcredit committees; they contribute to the development of the Caisses d'Epargne's sponsorship strategy and to the selection of sponsored projects. Hence they truly tie Caisses d'Epargne with its territory, and ensure the vitality of local governance.

Jean Karinthi asked **Perrine Lantoin-Rejas** to explain how her coordination role at the national level and the local governance system work together.

Perrine Lantoin-Rejas presented the example of microcredit. In 2004, the FNCE launched an initiative to implement a financial inclusion system called *Parcours Confiance*. They developed a tool-box which was used to set out this new system directed towards the Caisses d'Epargne branches. Each



Caisses d'Épargne bank, however, is then free to adopt these tools or to modify them. The Caisses d'Épargne institution in Provence-Alpes-Corse, for example, has developed its own system called Créa-Sol, based on specific experimentations in their region. Generally speaking, variations from the national "model" can be seen in each region.

For the FNCE, this diversity stands as a tailored response to regional configurations. It also allows the corresponding banks to have some latitude in developing innovations and experimentation, which can then benefit other Caisses d'Épargne branches. It is essential that each bank is able to modify the program in accordance with its specific needs and standard procedures, even if that makes coordination at the national level complicated. All that remains is that this diversity must be leveraged under the principles and common goals that tie everything together.

It must be noted that the administrators involved in the Caisses d'Épargne banks' governance are by definition their clients: to be an administrator, one has to be a shareholder. More specifically, for a microcredit recipient, it is a very different question. Involvement of "users" is actually a good practice, but the FNCE does not systematically use it: there is a permanent exchange during discussions between the microcredit recipients and their advisers. The FNCE has carried out an impact study where it surveyed microcredit recipients regarding their satisfaction with the proposed services. However, the Caisses d'Épargne banks have not organized any formal "client committees" to this point. One of the reasons for this is the difficulty to involve the microcredit recipients: their situations are often very precarious, and they are cumulating jobs along with very busy schedules (many of them being single mothers).

The Red Cross also works with local stakeholders, and, as such, the supervision board has a specific role: to maintain a link with microcredit recipients and their families. In fact, the Red Cross is thinking of associating the borrowers to the services they may need in the future. It is all about finding a collaborative approach, which is not an easy task, given the fragile nature of this group.

At MACIF, the loan recipient is a shareholder and so is the representative. However, subscribers are members of an insurance program, not in the perspective of a mutual benefit but rather as clients. The issue that MACIF must deal with is to make the client become a member and vote for a representative. It is about adhering to the principles of the group, making sure the client understands that the act of being a consumer can be a civic action as well. At present, one fourth of the members actually vote to elect their representatives.

The assignment of a delegate has not been clearly defined yet. It must be identified and its functions should be recognized (representation, actions to be taken through prevention, foundation, and partnerships, etc.): he/she must be active and involved in changing society. Support and training must be constant. For example, delegates have a dedicated extranet with blogs, resources, expert exchanges. An example of regional training would be to develop proficiency in the utilization of this website through computer assignments. It's essential to underline the representative's skills. A MACIF member can create a partnership with SIEL Bleu, for example.

What about the involvement of employees in an association like SIEL Bleu? **Jean-Michel Ricard** pointed out that malaise at work is the most critical consideration. Some tools are given to develop the association on a regional scale, but the field remains wide open. The governance system is based on the employees' convictions, who need to choose their partners in order to make their activities last. With respect to the users, SIEL Bleu has learned that it is not necessary to force people to participate. Formerly, there were committees of participants at the departmental level. But the association's management team has changed: local work groups are very independent and made of employees, local representatives, pension fund officials, etc.

An incubator has been set up at SIEL Bleu: 3 projects are chosen each year. They involve essentially people from the field. Two of them are run jointly by a prevention officer and a beneficiary. Once the project has started, it is validated and then implemented. The field prevention officer becomes the national project manager.

Questions

Regarding the microcredit program proposed by Caisses d'Epargne, is it a commercial or a social microcredit? How does one convince Caisses d'Epargne that this type of loan does not compete with standard banking operations?

The Caisses d'Epargne banks propose personal as well as commercial microloans. The functional features are not exactly the same for both, since commercial microcredits can originate either from the Parcours Confiance associations or directly from the bank. As for the connection between conventional loans and microloans, we must emphasize that choosing to benefit from specialized advisers commissioned by Parcours Confiance is mostly based on the observation that it is simpler to process microloans along the same lines as traditional bank loans. Having said that, there is no hermetic boundary between the two: Parcours Confiance's 60 advisers come from the commercial network of Caisses d'Epargne and are staffed on this program for several years. Besides, microcredits are integrated into Caisses d'Epargne's balance sheet and managed in the same way as other loans: only the distribution network is different.

Generally speaking, this is an experimentation that is being carried out in the framework of corporate social responsibility and that has a sort of "laboratory" quality, although it is an enormous laboratory, given that it provided 3,000 personal microloans last year. Therefore, there is no competition between traditional banking activities and microcredit.

With 2011 being the European year of volunteerism, recruiting new volunteers is a rising issue. Could we be facing a participation crisis?

For MACIF, the renewal of generation is a critical issue because representativeness is a difficult matter: delegates are often old male. In 2011, only three out of the nine delegates newly instated were young. Nationwide, MACIF has chosen to involve more women and youths as delegates, with numerical objectives.

Jean Karinthe, the moderator of this round table, explained that the **Maison des Associations du Deuxième Arrondissement** created an association passport that allows users to value their volunteer experiences. In addition, this is also regarded as a new way to adapt to perception changes towards the associative sector.

The Red Cross reckoned that we face new forms of volunteerism: associations need to adapt to zapping, which is the current consumption habit among young people. Recruiting new volunteers certainly involves representatives themselves,

but it is equally important to have qualified people chosen for their skills. This is crucial for the dynamics of the representatives' team. The Red Cross is also considering reducing the length of terms, since terms that are too long lead to "feudalism" (two 4-year terms presently). Young people must be favored as potential candidates for delegation, without age discrimination.

What connection is there between local governance and innovation?

According to the Red Cross, local governance has set the landscape for many innovations, such as taking care of infants in their terminal stage, nurse training, etc. Yet, one question remains, that is scaling up: does the capacity to develop innovations on a national scale exist? **Georges Métayer** recalled a statement made at a Sciences Po conference some time ago: "Micro-loans were created 30 years ago, and only 15% of those who need them in the world can access them. At the same time, when a big company wants to launch a product on a world-wide scale, it takes 18 months." This raises the question of the means that we can use to implement innovations.

Innovation is at the heart of SIEL Bleu's economic sustainability. Most notably they are developing a survey with INSERM to show that regular physical activity results in a reduction in the number of fractures and therefore in the costs tied to the health care system. **Jean-Michel Ricard** concluded with this remark: "Anything is possible."

Official rapporteur:

Christine Rousselot, European Microfinance Network