

## Key questions to build a robust and sustainable APEX

- Better understand the potential scope and impacts of an apex lender,
- Foster dialogue amongst apex organisations, who lack opportunities to exchange with their peers,
- Promote apexes as worthwhile and valuable players in the broad field of social and solidarity finance.



Colombia



Peru



Guatemala



Senegal



Uganda/East Africa



South Africa

## Key issues addressed by the survey

- Legal status & Institutional Profiles
- Financial & non-financial services
- Governance
- Business Model
- Measuring social effects

## *1. Which legal status & Institutional Profiles to adopt?*

- Identify the existing legal forms in the national context.
- List the pros and cons of each possible form depending on:
  - The social and financial goals of the apex
  - The governance (which members, which expectations, which implications)
  - The profile of the partners to finance
  - Growth prospects in the national or regional context
  - Sources of financing and prospects for sustainability
- Choose a legal status (for founding or transformation) in agreement with all the stakeholders
- Define the key legal and strategic documents to give substance to the legal formalisation:
  - Define the rules of participation in governance
  - Agree on realistic social and financial objectives and formalise them in the legal documents to prevent future shifts
- Include the social objectives in the strategic or operational plan

*What if there are limitations to all the possible legal forms?*

- Apexes are innovative organisations and there are not always legal forms clearly adapted to their activities.
- It could be beneficial to stimulate regulators to consider more carefully the legal forms necessary to local refinancing.

## 2. *Which range of products and services to propose?*

- The choice of products and services should aim at meeting the needs in the market while ensuring the apex's sustainability.
- Questions & Issues to be asked on a regular basis, and especially when defining the operational and strategic plan, revolve around the following issues:
  - Choosing between specialisation or diversification amongst short, medium or long-term loans, niche products (housing, agriculture, specific value chains, etc.), savings, technical assistance, transparency and monitoring, advocacy, lobbying, etc.
  - Defining the profile of the partners /clients to be financed: MFIs (rural/urban, fragile/strong, growing /established), producers' organisations, social businesses, etc.

## *Where to mobilise resources to provide quality products and services?*

- Identify the sources of funding that will supplement credit funds and will finance services.
- Find a balance between what will be done internally with staff resources and externally, through partnerships: the apex has to define what will be proposed directly by the staff, the necessary professionalization of its own human resources, what will be proposed by means of partnerships and on which basis these partnerships will be built.

### 3. Governance: *Who to involve in the governance?*

- Far more than legal status, the governance structure will determine the strategic definition of the apex and its objectives. The apex should carefully consider its governance structure, particularly:
  - Define the role of the organisations benefiting from apex financing: should they be involved in the decision-making process, simply beneficiaries of services?
  - Think about the position vis à vis the State and public policies: should the State be involved in decision-making? an external partner but prescriber of public policies (rural and agricultural finance, for example)? or completely outside the apex strategy?
  - Clarify the nature and role of investors in the apex strategy, and ensure the involvement of like-minded investors.

### 3. Governance: *How to ensure the strategic role of the governance structure in the long term?*

- Strategic decisions should be able to evolve according to the context and demand. However, the “DNA” of the apex should stay constant, particularly its social goals.
- The apex has therefore:
  - Enlist the founders as key-players of the apex's mission.
  - Define the characteristics and eligibility conditions for new shareholders.
  - Formalize collective commitments through:
    - Shareholders' and / or partners' agreements
    - Legal documents
    - Recurring agenda points during the General Assembly or Board meetings

## *4. Business Model: How to ensure sustainability?*

- The issue is difficult and challenging. Apexes consider the issue from three perspectives:
  - The constraints and opportunities of the national context: favourable regulation and political support in the strategic sense of the term can provide an enabling environment for operations, as can promising growth prospects (recognized MFIs, growth, favourable economic context), or diversified partnerships (with producer organizations, or social enterprises, for example).
  - Sources of income: interest from loans if the volume of refinancing allows it or diversification with complementary services that generate income from members or subsidies for technical assistance.
  - Start with a good market study.

#### *4. Business Model: How to bring real added value?*

- Raising the issue of added value has to be systematic and central in the definition of the proposed services, in order to ensure a real appropriation by target clients and to face competition from international investment funds and local banks.

## *5. Measuring Social Performance. What are the needs for transparency, lobbying and social performance management?*

For the APEX, it will involve:

- Getting to know the financed institutions to understand their situation, their needs and their capacities when monitoring social performance
- Identifying key indicators appropriate to the national context (aligned with existing initiatives, partners' needs, regulators' requirements, etc.).

*5. Measuring Social Performance. How to ensure a sustainable process leading to a continuous improvement of practices?*

In general, the apex experience highlights the following points:

- Do not underestimate the time and energy needed and work collaboratively with all those involved
- Move beyond audits and assessment to implementation in order to keep people motivated: create action plans for MFI members, lobbying, transparency, etc.

## *Concluding words*

- An apex is seldom the only financing source of an MFI, and thus must continuously look for its added value in comparison to the other sources. This added value is often linked to **proximity**, which gives it in-depth knowledge of the local context, allows it to act quickly, reduce reporting requirements, communicate in local language, etc. Proximity translates into **well-adapted support** over time, which builds partnerships and allows for targeted technical assistance (housing, value-chains, solidarity finance, participative governance, etc.). This support can also justify the **higher prices** many apexes must practice due to refinancing costs.
- Added value can also come from the **visibility** the apex offers, when it plays a representation/advocacy role vis à vis the government or other actors.
- Finally, added value can come from **economies of scale**, which enable peer learning and horizontal alliances (PO/MFI, country/city) amongst apex partners.
- Furthermore, it is in the interest of apexes to innovate, re-invent themselves, and change strategy, to reflect developments among sector stakeholders and changes in the economic, social and political context.