



ENTE NAZIONALE PER IL MICROCREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

The National Microcredit Agency

Presentation



ENTE NAZIONALE PER IL MICROCREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

THE NATIONAL MICROCREDIT AGENCY

The National Microcredit Agency is a body corporate, governed by public law, whose object is to pursue poverty eradication and combat social exclusion in Italy and, internationally, in the developing countries and transition economies. The National Microcredit Agency is vested with the functions of a national coordination body, tasked with promoting, steering, facilitating, appraising and monitoring the microfinance instruments and facilities promoted by the European Union, and microfinance operations implemented using European Union funding (article 6 (4-bis)(b) of Law No. 106 of July 12, 2011).

The Agency's activities and ethical mission

Its operations

The Agency supports schemes to underpin poverty elimination activities and to provide access to sources of finance by sections of society which would otherwise be excluded, both in Italy (domestic microfinancing) and in the developing countries and transition economies (microfinance for international cooperation).

At the domestic level, the Agency is vested with microcredit and microfinancing coordination functions and resolves on its strategies and actions consistently with the country's national objectives, according to the instruments and actions adopted by the government to deal with the crisis. It is responsible for promoting, steering and monitoring the microfinance instruments and facilities promoted by the European Union, and the microfinancing activities performed using European Union funding. The strategies for performing microcredit and microfinancing measures are implemented in conjunction with the Ministry of Foreign Affairs, consistently with Italy's international cooperation policies.

More specifically, the activities and projects promoted by the Agency fall within the scope of a *credit component* and a *technical component*.

Credit provision

The Agency promotes schemes on behalf of individuals in a state of poverty, or victims of financial exclusion, and of corporations, particularly cooperatives and microenterprises facing microcredit access difficulties, also using the funds provided by individual national, EU and private stakeholders and natural persons, to finance new ethically and technically approved business development projects.



ENTE NAZIONALE PER IL MICROCREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

It also supports microfinancing initiatives to encourage the establishment and development of microbusinesses on the basis of dimensional parameters indicated in the European Commission recommendation 2003/361/EC, regardless of the legal form of their constitution.

The Agency supports microfinancing programmes comprising one or more of the following components:

- Credit products (e.g. microcredit, microleasing)
- Payment products (e.g. money transfers, credit cards, prepaid cards)
- Savings investment products
- Insurance products
- Guarantee products

Technical activities

By way of example, these include its training, technical assistance, research, data collection and analysis and legislative promotional work, and the promotion and dissemination of the microfinance culture. The core technical activities described below refer to the delivery of services to support projects with a microcredit and microfinance component.

Training and education

The provision of training and education is one of the main activities of the National Microcredit Agency and is an important element for defining excellence in the field of the Italian microfinancing industry.

Training is designed to educate professionals to become genuine interpreters of the microfinance culture in its many local and cultural forms. Training is provided both for those working, or wishing to work, in microfinance institutions and for those already working, or are intending to work, with organisations (public sector, third sector or private sector) whose core business is not microfinance, but which have developed, or intend to develop in-house specialised microfinance units. These training and educational activities are provided through courses leading to a Master's degree, advanced vocational training courses, workshops, seminars and internships, in which the legal, cultural, economic, financial and relational aspects of microfinance are addressed.



ENTE NAZIONALE PER IL MICROCREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

Research

The National Microcredit Agency conducts research into the design of specific instruments for analysis and for applications to be used to define an “Italian microcredit pathway”. Its research mainly focuses on the following areas:

- The state-of-the-art of microfinance in Italy
- Feasibility analysis models
- Governance models
- Business plan design and management
- Process analysis and mapping
- Risk analysis and management
- Internal audit systems
- Developing marketing plans
- Technical assistance aspects of relevance to financial inclusion.

Its other technical and assistance services

Focused in this way, and in its results, the Agency’s research is used both to offer training courses specifically designed for microcredit/microfinance personnel and to offer technical/managerial assistance services to any microfinance organisations requesting them from the Agency.

To manage the project phases, the Agency proposes to support the microfinance institutions which request its assistance, both directly and through its network, in the following fields:

- Designing feasibility studies
- Identifying local partners
- Selecting and training personnel for microfinance projects
- Project monitoring and evaluation.

Promotional work

The Agency is heavily engaged in promoting the microfinance culture both in Italy and abroad by convening conferences, or by supporting those being promoted by other institutions or agencies. Its



ENTE NAZIONALE PER IL MICROCREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

most important initiative in this field is the annual conference organised to coincide with the publication and dissemination of the “Report on Italian Microfinance” which is attended by leading Italian and international organisations involved in various capacities in addressing financial inclusion, and economic and social development. The Microcredit Agency also plays an active part in the most important discussion and debating fora in Italy and abroad, thereby playing positive and active part in developing the new models for sustainable growth that will underlie the policies for social and economic growth in the coming decades.

Creating networks

The Agency is also an institutional stakeholder for rationalising the numerous social and financial inclusion initiatives being adopted, in order to minimise the scattering of the resources and efforts being deployed by the numerous institutions and operators involved, and to design a unitary “Italian system” strategy. It therefore promotes networking activities to expand and strengthen links between for-profit and not-for-profit entities and institutions working in the industry.

Promoting legislative measures

A careful examination of the dynamics of microcredit supply and demand shows that all the operations being conducted in this sector must form part of a wide-ranging legal and support framework, because finance, employment and social protection are interconnected systems.

It is for this reason that the Agency intends to play an active and decisive part in the institutional debate on the statutory measures required at the national, EU and international levels. For example, the Agency has worked with the Bank of Italy and the Ministry of the Economy and Finance to reform Title V of the Banking (Consolidation) Law, bringing Italy among the ranks of the countries that have adopted *ad hoc* legislation in the matter of microcredit.

Dissemination of the microfinance culture

The financial crisis has revealed that on some occasions, the over-regulation of intermediaries can distract attention away from the behavioural dynamics of the consumers/clients. This makes it essential to strive to improve the law governing transparency, but this will have little effect unless a similar effort is made to improve the financial culture of the consumers, their familiarity with the financial



ENTE NAZIONALE PER IL MICROCREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

institutions and products, and their ability to protect their rights. This being so, the work of the Agency as a whole is incorporated into a broader strategy to raise the financial cultural level of the disadvantaged stakeholders and those experiencing credit access difficulties. The Agency believes that financial education is a strategic means of combating extreme poverty and financial exclusion.

Operational models

The role of the National Microcredit Agency

The Agency's operations are supported directly by the Agency itself ('*direct playing*') taking the form of technical and financial promotion, activation and support (the latter using specific resources required for the purpose) and managing and monitoring specific microcredit and microfinance initiatives.

The Agency can also promote indirect ('*matching field*') initiatives to support projects being implemented by other institutions, but certified by the Agency.

Funding

The Agency finances the development of its activities using both public funds currently appropriated for its operations, and supplementary resources from national and EU public and private sources.

The funding (public, EU or private) used by the Agency to support credit-based projects can come from donations, soft loans, ordinary loans and other sources. It may also acquire non-monetary resources in the form of goods and services.

Relations with the European Union and international organisations

The Agency is also tasked with the functions of a national coordination entity to promote, steer, facilitate, appraise and monitor the microfinance instruments and facilities promoted by the European Union, and microfinance activities being implemented using European Union funding (Law No. 106 of July 12, 2011, article 8 (4-*bis*) (b)).



ENTE NAZIONALE PER IL MICROREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

The Agency also performs the role of the National Contact Point of the EPMF (European Progress Microfinance Facility), the new microfinance facility for employment and social inclusion, co-financed by the Progress programme (Decision 283/2010/EU of the Parliament and of the Council of the European Union).

To guarantee operational support for its institutional relations with the European Union, the Agency has concluded an agreement with EIPA – the European Institute of Public Administration.

The Agency is a full member of the European Microfinance Platform, a network of organisations and stakeholders engaged in the microfinance industry in the countries of the global South.

It is also a member of the Microcredit Summit Campaign, made up of microcredit institutions, international financial institutions, NGOs and other stakeholders engaged in microcredit in various capacities, to promote best practices in the industry and to foster the exchange of knowledge.

The law governing the National Microcredit Agency

Under article 2(185), (186) and (187) of Law No. 244 of December 24, 2007, the Agency is tasked with promoting, pursuing and supporting microcredit and microfinance programmes to foster Italy's economic and social development; it is also vested with the same powers in respect of the developing countries and the transition economies (microfinance for cooperation) acting synergistically with the Ministry of Foreign Affairs.

Under Prime Ministerial Decree of July 2, 2010 (published in the Official Gazette no. 220 of September 20, 2010) the Agency has been given specific operational tasks to monitor and appraise all Italian microcredit and microfinance operations.

Article 1 (4-bis) of Law No. 106 of July 2011 subsequently vested the Agency with the task of promoting, steering, facilitating, appraising and monitoring microfinance instruments and facilities promoted by the European Union, and microcredit activities using European Union funds.

Article 39 (7-bis) of Law No. 214 of December 22, 2011 extended the possibility for microenterprises to secure the guarantee of the Central Guarantee Fund (article 2 (100)(a) under Law No. 662/1996). Accordingly, the National Microcredit Agency can engage in disseminating information, providing support, education and training and technical consultancy and tutoring services to microcredit



ENTE NAZIONALE PER IL MICROREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

promoters and local operators, with the aim of establishing a direct linkage between the operation, the guarantee from the Central Fund, and the micro-entrepreneur.

Most recently, Article 23 (10-bis) of Law No. 221 of December 17, 2012 provides that the common, single and indivisible fund governed by Prime Ministerial Decree of November 27, 2008, as subsequently amended, may also be used to institute guarantee funds and revolving funds dedicated to national and international microcredit and microfinance activities.

The background

The National Microcredit Agency was originally established in order to pursue the purposes enshrined in the United Nations Resolutions 53/197 and 58/221, in which the United Nations General Assembly proclaimed 2005 as the International Year of Microcredit, and urged the Member States to set up National Committees to pursue the Millennium Goals. These resolutions sent out an important message of human and international solidarity which Italy promptly took up, specifically by setting up the Italian National Standing Committee for Microcredit.

Article 4-bis (8) of Law No. 81 of March 11, 2006 instituting the Italian National Standing Committee for Microcredit was the specific means adopted to pursue the ethical objectives set out in the aforementioned United Nations resolutions.

The law governing microcredit in Italy

The law governing microcredit was introduced in Italy by Decree Law no. 141 of 13 August 2010, which contained a number of amendments to the Banking (Consolidated) Law (Legislative Decree no.385 of September 1, 1993), providing in particular, in articles 111 and 113 of the Banking Law, specific provisions governing the microcredit industry. These provisions were subsequently amended in 2011 following a public consultation promoted by the relevant ministries with the support of the National Microcredit Agency. Following this consultation, the government issued Legislative Decree no. 169 of September 19, 2012 further amending the aforementioned articles 111 and 113 and defining the present statutory framework governing microcredit. The law makes provision for two types of microcredit: one for micro-entrepreneurs – to be used for the self-employed and for micro-businesses – for a maximum of €25,000, and one for social microcredit to meet primary economic and social needs, up to a maximum of €10,000.



ENTE NAZIONALE PER IL MICROCREDITO

Sotto l'Alto Patronato Permanente del Presidente della Repubblica

Micro-credit cannot be secured by collateral, and must necessarily be accompanied, in the case of microcredit provided to a self-employed person or to a micro-enterprise, by the provision of ancillary assistance and monitoring, and in the case of social microcredit, by ancillary services.

One important innovation introduced by the latest amendments to article 111 of the Banking Law is in paragraph 5-bis, which provides that the term “microcredit” may only be used in relation to the grant of financing with the features indicated above (in terms of use, maximum amount available, guarantees required and ancillary accompanying services).

The projects of the National Microcredit Agency

The Agency has concluded agreements with the Civil Service Department at the Office of the Prime Minister and with the Ministry of Work and Social Policies, to implement the following projects:

- “Capacity Building on financial instruments - Defining and trialling new powers and instruments for efficient programme management”, Civil Service Training;
- “Monitoring the integration of labour policies with the local development policies of production systems in the matter of microcredit and micro-financing”;
- “Microcredit and employment services: systemic action to promote and create innovative operational instruments in employment services designed for the self-employed and micro-entrepreneurs;
- “A.MI.CI – Access to Microcredito for Immigrant Citizens” (concluded in 2011).