



Etimos Foundation Onlus

Project Name

Microcredit for Abruzzo (MxA) - An innovative microcredit scheme for Italy.

Initiative Presented for the Award

Microcredit for Abruzzo (MxA) started after the earthquake at the end of 2009, while the disbursing phase started in January 2011. The aim was to promote financial inclusion, to multiply the available resources and to assure the sustainability of activities in the medium and long term. For this purpose, resources have been used to start a Fund, as guarantor for the disbursement of microcredit lines from partner banks (by now 85% of the local banks) which have to accept all loan characteristics and conditions, assure a leverage on the funds (1:5 up to 1:10) and give a contribution for sustainability (0.3% up to 0.6%). The specific microcredit products respond to the needs of both families and enterprises: the "Solidarity credit line" for individuals and families, the "Unsecured loan credit line" for the creation or development of businesses and the "Advanced payment credit line" for advanced payment of business contracts, invoices and taxes. Moreover a tutoring service is offered to beneficiaries by groups of appropriately trained volunteers.

Type of organization:..... **Non-profit Foundation**
 Location:..... **Italy**
 Founded in:..... **1999**
 MF products offered:..... **Solidarity credit line, unsecured loan
 credit line, advanced payment credit line**
 Portfolio (*):..... **€2,673,000**
 Av. Loan size:..... **€19,475**
 Number of clients:..... **138**

(*) Data refers to the amount disbursed in 2011

www.etimosfoundation.it / www.etimedia.org



Institutional Profile

Project beneficiary: Francesca Curtacci in her haberdashery



Project beneficiary: Maurizio Lepidi in his optician shop

History

Etimos Foundation Onlus was founded in 1999 alongside Etimos, a financial consortium that collects savings to invest in developing countries in favour of MFIs, cooperatives of producers and social enterprises. Ever since, it has worked in the international cooperation field, social business and development education, in particular for the promotion of microfinance as a tool for economic development and innovative welfare schemes. It adopts a horizontal collaboration approach, putting emphasis on local resources and the promotion of social enterprises as a tool for community wealth.

Structure

Etimos Foundation Onlus has its headquarters in Padua where all operational and legal activities are based: there are no other offices in the country. The Board of Directors is the top decisional body and is composed of 13 members. The Foundation's operational activities are carried out by the Project Manager, the Communication Manager and the Press Office, who are coordinated by the General Coordinator. For the project, Etimos Foundation has dedicated two extra human resources: one based in L'Aquila in charge of client management with the support of local volunteers; the other in charge of institutional relations and the further development of project activities in Italy.

Governance Structure

Etimos Foundation Onlus is in control of a group of organizations, which are variously committed to microfinance and to finance for development, both in Italy and abroad. Having an open participation structure, Etimos Foundation Onlus accepts subscriptions from whoever shares the same goals and principles. Its current members are 284 organizations that also take part in Consorzio Etimos (as members).

Target Clients and Operational Area

Etimos Foundation Onlus operates in Italy and in the countries where member organizations are based (mainly Central and South America, West Africa and Southeast Asia). Its target clients are enterprises, which make up Etimos's group and its member organizations. Its network of partners also includes banks involved in financial inclusion initiatives, public bodies committed to innovative welfare programs, third sector organizations, universities and research centres interested in the social economy and local development issues.

Products and Services

Etimos Foundation Onlus offers a wide range of products and services:

- Cultural activities: organization of seminars, workshops and conferences, cultural and scientific dissemination, organizational support for events promoted by other bodies.
- Project and enterprise incubator: development of programs and social businesses related to microcredit in Italy.
- Training and research: on topics such as microfinance, finance for development, social impact and social performance in microfinance programs.
- Technical projects: in favour of microfinance, post-emergency development programs, organic and Fair Trade supply chains.



Project beneficiary:
Sabrina Di Giannantonio in her Airpark



Etimos Foundation president (Mr. Santori - standing on the left) with project referent and the volunteers of the local credit committee (AQS-Association Development and Quality)

Funding Sources

The main sources of funding are:

- Asset management
- Fund raising activities
- Training and research.

In particular, in the case of the MxA project, Etimos Foundation received five million euros from the Department of Civil Protection that came from donations collected after the earthquake.

Client success story

AIRPARK is a playground for children created in L'Aquila by Sabrina Di Giannantonio (38 years), with her husband Massimiliano Mellone: inflatable toys (slides, balls, tunnels, climbing mountains), but also baby dance, buffet area and animation, in short, everything needed to celebrate children's birthdays. Before the earthquake, Sabrina was employed as a secretary (but she had a degree in science education), while her husband worked in an import-export company. The quake swept away their jobs, depriving the family of the economic resources needed to survive. "Airpark, in a sense, was born on the beach at Montesilvano, the place in Pescara Province where we were exiled in the first months after the earthquake; we began to set up our first inflatable games there," recalls the couple, who says further: "...once back in L'Aquila we decided to take this path and we turned to the banks to present a larger project for the construction of a playground with inflatable structures, but we were always denied any form of loan. Finally we met "Microcredito per l'Abruzzo" and we got twenty thousand euros, which we added to a small amount of capital we already had at our disposal: this was the only way we could transform our idea into a permanent activity on which to base our business and the livelihood of our family". Sabrina and Massimiliano are now implementing a strategy to grow their business through the purchase of other inflatables to hire, even outside Airpark, for private parties and street festivals.

Selection criteria

Innovation

The MxA project presents an innovative approach to the classic scheme of intervention, which is based on three pillars: guarantee fund, financing banks and association of volunteers. Firstly, microfinance is intended as a tool for post-emergency activities. It overcomes the traditional scheme of intervention, since it involves many banks (85% of the local banks) instead of just one, in order to work in proximity with all the branches and offices. Additionally, it succeeded in obtaining the banks' commitment to offer a financial leverage from 1:5 to 1:10 which translated into a multiplier effect on the number of loans disbursed. Finally, loans were specifically designed for microenterprises with particular attention to start up projects, which amount to 39% of the total enterprises financed.

Sustainability

Sustainability may be reached in the medium to long term thanks to the refinancing of the fund itself, through progressive loan reimbursement, and to the financial leverage guaranteed by the partner banks. Indeed, one of the main objectives is to implement the project without recourse to external resources. In particular, it has been decided to avoid the establishment of a new structure for the project, charging the Foundation with the coordination and monitoring of the whole process. Another factor contributing to sustainability is the involvement of volunteers, appositely trained on microcredit issues, in the preliminary investigation and first assistance phase. Furthermore, throughout the project the Foundation tried to expand the banks' involvement and asked them for a sustainability contribution with a one-off fee for each loan disbursed, up to 0.6% of the amount for loans with a duration over 18 months and 0.3% for loans under 18 months. In order to further enhance sustainability, the interest revenues coming from cash accounts where guarantee funds are deposited are reinvested in the project.

Financial Achievements (data refer to the MxA project)

	Dec 11
Portfolio at Risk (*)	0.3%
Write-off Ratio	0%
Portfolio Yield	3%
Debt to Equity Ratio	n.a.
Operating Expense Ratio	5%
Cost per Borrower	€940
Staff Productivity	69
Return on Equity	-1%
Return on Assets	-2%
Operational Self-Sufficiency	75%

(*) Par 15

Impact – Outreach

The disbursement started in January 2011 and, despite the brief period, there has been a good performance in terms of loans disbursed: 138 in total. In line with the goal to respond to the need for reconstruction and re-launch of the economic system damaged by the earthquake, most of the loans (89) were given to microenterprises, with a particular focus on start-up projects (35) for which tailored products were designed in order to offer the best support. Moreover, special attention was paid to young entrepreneurs (31.8%) and to women (47%). Loans for established businesses have been disbursed mainly for commerce, handicrafts and the catering industry, most of which were damaged by the earthquake. The beneficiaries were not able to access loan services outside the project.

Outreach Achievements (data refer to the MxA project)

	Dec 11
Active Borrowers	138
Women	47%
Migrants, Minorities	7.2%
Youth	31.88%
Rural	25%
Below Poverty Line	n.a.
Average Disbursed Loans	€19,475
Portfolio	€2,673,000
Number of Branches	2
Staff	2
Loan Officers	3
Drop out Ratio	n.a.

Replication

MxA has already proved to be replicable for its characteristics of sustainability and effectiveness. In fact at the end of 2011, a real spinoff of the project took place, called MxIT-Microcredit for Italy. It is a limited liability company counting on one and only one member, Etimos Foundation. MxIT has already identified another six Italian regions, besides Abruzzo, in which to start microcredit activities in synergy with locally based partners.