Peer-to-Peer Visit Report

COOPFIN S.p.A. visited Adie on 13th-15th November 2019

Background of the meeting and the visiting delegation:

COOPFIN was set-up in the 1990s, following a public-private agreement between the cooperative business associations (partners of the company) and Sardinia Regional Government, Italy. At the end of 2016, following the recent Italian banking system reform, COOPFIN was recognised by the Bank of Italy as a Microcredit Operator. Established in Sardinia, COOPFIN is currently the only MFI specialised in the cooperative market at the national level.

COOPFIN is a rather modest MFI (3 staff) and works in a limited local market (Sardinia region, Italy), but it is very committed to advocacy activities addressed to Regional Government in order to reinforce the role of Microcredit in social inclusion initiatives. As Adie has achieved important results in advocacy, COOPFIN was particularly interested to know how Adie worked in this field.

The areas of interest for the peer-to-peer visit were: how the conditions of the microcredit offer are defined; how the microcredit requests are evaluated; how the support for business services works; how the volunteering system supporting the businesses works; how Adie finances its activities, and how Adie implements its advocacy strategy.

Lessons learnt during the visit:

The visit was an excellent opportunity to share methods and experiences on microcredit activity with Adie staff as well as with other MFIs who were present.

The main lessons learnt during the visit are the following:

Differences between the Italian and the French microcredit loans market
The microcredit loans market in France is completely different to the banking loans market. Microcredit loans and bank loans in France belong to separate markets: each has its own level of demand and loan offer, and MFIs and banks do not compete
against each other. Moreover, Adie is the main player and there are other few operators of this size.

In Italy the extension of state guarantees (Fondo di Garanzia per le PMI from the Economic Development Ministry) on microcredit loans to banks has artificially created one sole market in which banks and MFIs compete. This competition creates an unfair system since banks and MFIs have different industrial costs and it distorts the market since the microcredit loan beneficiaries will not be able to benefit from the support that only MFIs are able to provide.

Therefore, the first lesson learnt during the visit concerns a market regulation issue. The Italian public authorities should work towards avoiding overlapping between the two markets (microcredit and banking). The access to state guarantees for microcredit loans should gradually be limited to MFIs and the funding capacity of MFIs should be supported by specific policy instruments.

Adie’s history demonstrated that the goal of advocacy activity should be to give value to the social role of Microfinance and to make policy makers more aware about this role.

*Easier decision-making process*

The decision-making process on microcredit loans applications is carried out by local directors. The decision-making process is thus easier since it does not directly involve the board of directors.

*Volunteer programme*

Supported by the loan officers, Adie volunteers take over the follow-up and support of customers. This programme guarantees a precious support to beneficiaries in terms of non-financial business services.

**The visiting organisation’s plans to adapt some key lessons to its own organisation:**

COOPFIN will evaluate how to include in its development plans some of the key lessons as described below:

- Together with other Italian MFIs, in the framework of the national microfinance network (RITMI), COOPFIN will continue lobbying Italian public authorities to implement policies aimed at avoiding overlapping between the microcredit and banking markets. The access to state guarantees for microcredit loans should gradually be limited to MFIs and the funding capacity of MFIs should be supported by specific policy instruments.
- The creation of a Credit Committee will be taken into consideration in order to simplify the decision-making process.
- The set-up of a volunteer programme (based on cooperative senior managers) to better support start-ups will be considered in collaboration with cooperative business associations.