

Peer-to-Peer Exchange Visit Report

PerMicro S.p.A. visited AgroInvest on 13-14 March 2017

Background of the meeting and the visiting delegation:

PerMicro, founded in 2007 in Torino (Italy), is the first Italian institution in terms of the number of microcredits granted and the amount disbursed. Since its origin, it has disbursed 15,047 microcredits, for a total amount of EUR 103,265,018 and it has facilitated the creation of 4,746 jobs. Today PerMicro is present in 11 Italian regions with 14 branches and 54 employees.

PerMicro collaborates with PerMicroLab to offer its entrepreneurs important auxiliary services, such as mentoring and monitoring. PerMicroLab is a non-profit association operating with the purpose of pursuing social solidarity aims and giving support to socially and economically disadvantaged people. The Association now has a total of 78 Volunteer Mentors.

PerMicro is a microfinance pioneers in Western Europe. The institution is very active in the national and international scene: it is one of the founders of Rete Italiana degli operatori di Microfinanza (RITMI), the Italian association of microfinance institutions; moreover, it is an active member of the European Microfinance Network (EMN). In 2015, PerMicro was one of six microcredit institutes in Europe to be part of the guarantee fund from European Investment Fund (FEI) financed by the European Community (Employment and Social Innovation Programme). In 2016, PerMicro obtained the B Corp certification as well as the Rating from both Microfinanza Rating (BB+) and Standard & Poor's (B-).

AgroInvest (AI) is part of the Vision Fund network and has been operating in Serbia for 12 years. Due to the absence of microfinance regulation in Serbia and the fact that only banks are allowed to lend, AI is registered as a company for consulting and management in the legal form of a Limited Liability Company ('d.o.o' in Serbian). Currently AI Serbia operates in 17 branches.

The mission of AgroInvest is serving and empowering rural families with high quality services. Currently AgroInvest has 16,400 active low income borrowers. AgroInvest

provides loans worth, on average, EUR 1,250, through an individual methodology and a focus on rural areas. It has outstanding loans to the value of EUR 13.3 million.

In 2012, AI Serbia focused on shifting to a more client centred approach through downscaling and regional expansion. A more pro-poor approach was instituted at AI by moving the analysis away from collateral lending and focusing more on cash flow business lending almost exclusively, thereby turning thousands of previously rejected potential clients into eligible clients. This has boosted AI's comparative advantage and improved its standing in the communities. In combination with this, AI restructured the branch network to improve closeness to clients and increase efficiency. This has helped AI affirm its predominance on the market.

AI has been increasingly active in social performance activities. In the past 5 years, AgroInvest has:

- designed and conducted Poverty Assessment Tools every 6 months.
- become an active member of the Borrow Wisely Campaign organised by the Microfinance Centre for Central and Eastern Europe.
- designed and implemented an environmental policy
- developed a call centre and monitoring it on a monthly basis
- become a signatory of the SMART customer protection principles and was certified in early 2016.
- developed a staff code of conduct on customer care.

Lessons learnt during the visit:

The visit was very interesting and included the sharing of knowledge on:

- the different business models of the two MFIs (direct loan versus guarantee scheme system);
- the variety and specificity of products (principal differences: average amount; urban versus rural prevalence; repayment methodology; relationship with banking system);
- the IT system;
- risk provisioning and recovery methodology.

In particular, AgroInvest learnt from PerMicro how to look for and obtain funding of a certain size and pricing. While PerMicro showed particular interest in AgroInvest's, as well as other "linked" MFIs in Montenegro's, risk and recovery management which is performing well (very low PAR indicators).

In the afternoon of 13th March, PerMicro's CEO visited some rural microentrepreneurs and a local branch, learning by selling methodology that is rooted in a personal and direct relationship and a village context.

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

PerMicro plans to adopt some procedures of AgrolInvest's recovery procedure and risk management in order to decrease its PAR30.

Furthermore, from June to November 2010 PerMicro developed a credit scoring system under the supervision of Experian, an international decision-making consulting society. Since then, PerMicro's know-how has been enhanced by the development of its own credit scoring model, based on the systematisation of specific information.

The credit scoring system gives a final score that provides an indication of the low, middle or high risk of each single request for microcredit.

This system is constantly improved and integrated: following this peer-to-peer visit a new update of the model (version 4.0) was implemented.

Moreover, PerMicro has started to hold a monthly internal meeting to better monitor all stages of the credit process, including the quality of the first enquiry stage. All those who are linked to this process are involved, including those in surveillance/control, II level (Compliance & AML & Risk Management) and III level (Internal Audit).

By sharing their respective know-hows, PerMicro and AgrolInvest could consider a common administrative and management operating system that could be used by a group of investors interested in eastern-Europe MFIs.

Further, the two MFIs talked about the idea of establishing a European MFI where both western and eastern know-how could represent an added value for European investors that are interested in sharing different cultures and approaches in the microfinance world.