

EMN Peer-to-Peer Visit Report

MicroLux (BNP) visited PerMicro on 14th December 2015

Background of the meeting and the visiting delegation:

PerMicro is an Italian microfinance institution that fosters financial inclusion and supports micro-entrepreneurship in order to boost employment and encourage both social and micro entrepreneurship. PerMicro was created in 2007 by a small team of 5 people with a budget of €100 000. Headed by Corrado Ferretti and its operating director (Chief Executive Officer) Andrea Limone, PerMicro today has more than 50 employees, 14 branches all over Italy, more than 6 000 clients and a capital of 3.2m EUR. The shareholders of PerMicro are both public and private, e.g. foundations and social impact funds. The biggest and most important shareholder of PerMicro is BNL (23,2%). PerMicro is the MFI project of the *BNL Gruppo BNP Paribas*, such as microStart is the MFI of BNP Paribas Fortis. ADIE receives funding and support from BNP Paribas in France. Luxembourg is so far the only domestic market of BNP Paribas that has not created a local microfinance project. While the business plan of MicroLux has been strongly built on the experiences of ADIE and microStart, the success story of PerMicro has been little analysed. PerMicro has a very interesting model as it is about to reach its break-even after 7 years of operations, thanks to a strong focus on social credits, trustful relations with the bank and their agencies and a very efficient operating system. A MicroLux delegation, made up of Karin Schintgen (BGL BNP Paribas), Catherine Wurth (BGL BNP Paribas) and Nicolas Blondeau (ADA) visited PerMicro in Turin and exchanged experiences with the heads of various departments.

Agenda:

- Introduction with Corrado Ferretti (Chairman), Andrea Limone (CEO) and Eugenio Minucci (COO)
- Risk, Selection, IT and Compliance with Isabella Brianza
- Administration and Finance with Elisa Gramaglia
- Volunteering and Mentoring with Federica Paviolo (PerMicroLab Onlus)
- Marketing and Communication with Monica Bertola
- Field Visit of a Branch with Luciano Calaresu

Lessons learnt during the visit:

- One of PerMicro's overall goals is to transform non-bankable people into bankable people.
- It is very important to build trustful relationships with associations as intermediaries between the MFI and potential clients: during the first year, PerMicro met more than 3 000 associations all over Italy. Advertisement does not help as it attracts the "bad" creditors and not the most vulnerable populations.
- PerMicro's Interest rates (around 9%) and application fees (5% up-front) are the same as the ones MicroLux plans to charge.
- Diversification of shareholders: for PerMicro there are private investors (BNL), foundations, social impact funds (PhiTrust), the EIF, etc. It is a difficult shareholder situation with bank foundations and a bank.
- After seven years, PerMicro has become a "little" PSF.
- Credit check: reality check, 2/3 of the credit demands are refused.
- A key factor of success is that BNL has finally understood that PerMicro is a social business, and not a "CSR project". This means, in practice:
 - o Referral of clients (23% of PerMicro's clients come from BNL)
 - o Credit line of 28m EUR provided by BNL to PerMicro
 - o Several PerMicro branches are in the branches of BNL
 - o "Secondment" of BNL staff to PerMicro (legal, risk, etc.)
 - o Headquarter of PerMicro offered by BNL
- Social credits are at the cornerstone of the success of PerMicro. "The model is unsustainable if the credits only focus on businesses" (Corrado Ferretti).
- Volunteering and mentoring: two services are provided, 1) entrepreneurship trainings 3 sessions during 2 hours each and 2) mentoring trainings and contacts with mentors (at least 8 hours per month before and after disbursement). Mentoring has a 70% success rate.
- The PerMicro agencies are always on the ground floor in order to attract clients easily. They also feel that the clients need to feel that it is a private and commercial initiative (no possible link with a charity organisation)
- IT system is OCS and it provides satisfactory results
- Credit decisions: up to €15 000 goes to CBR, between €15 000 and 18 000 to the credit committee and over €18 000 to the executive committee. Micro-entrepreneurs set up a standing order to repay.

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

- Get neutral shareholders
- Build partnership with local Luxembourgish banks, such as Raiffeisenkees, Spuerkeess, ING, BIL, etc. Find a system for MicroLux to cooperate with the other banks to make it possible to get clients from different banks, share credit lines for microcredits and once clients are bankable send them back to their original banks.
- Build up strong partnerships with other BGL departments for relationships with associations, agencies, marketing, etc.
- Consider an integration of the social credit into the business plan. Social credits include credits for investment in housing in the country of origin, driving license, university fees, etc.
- Mentoring system built on BGL and EIB networks: make contracts for at least 8h per month between mentees and mentors, organize microfinance trainings based on the module developed by CSR department BNP Paribas in Paris.
- Integrate the social impact measurement tool developed by BNP Paribas in the reporting system
- Go beyond the CSR approach and adopt a social business approach.
- Long-term prospect: keep in mind the exemption of PSF.
- Rethink the location for MicroLux agency. The lux future lab might be a good option as it is a private institution and has an office on the ground floor.