

**MICROFUTURE**

KICK OFF MEETING REPORT

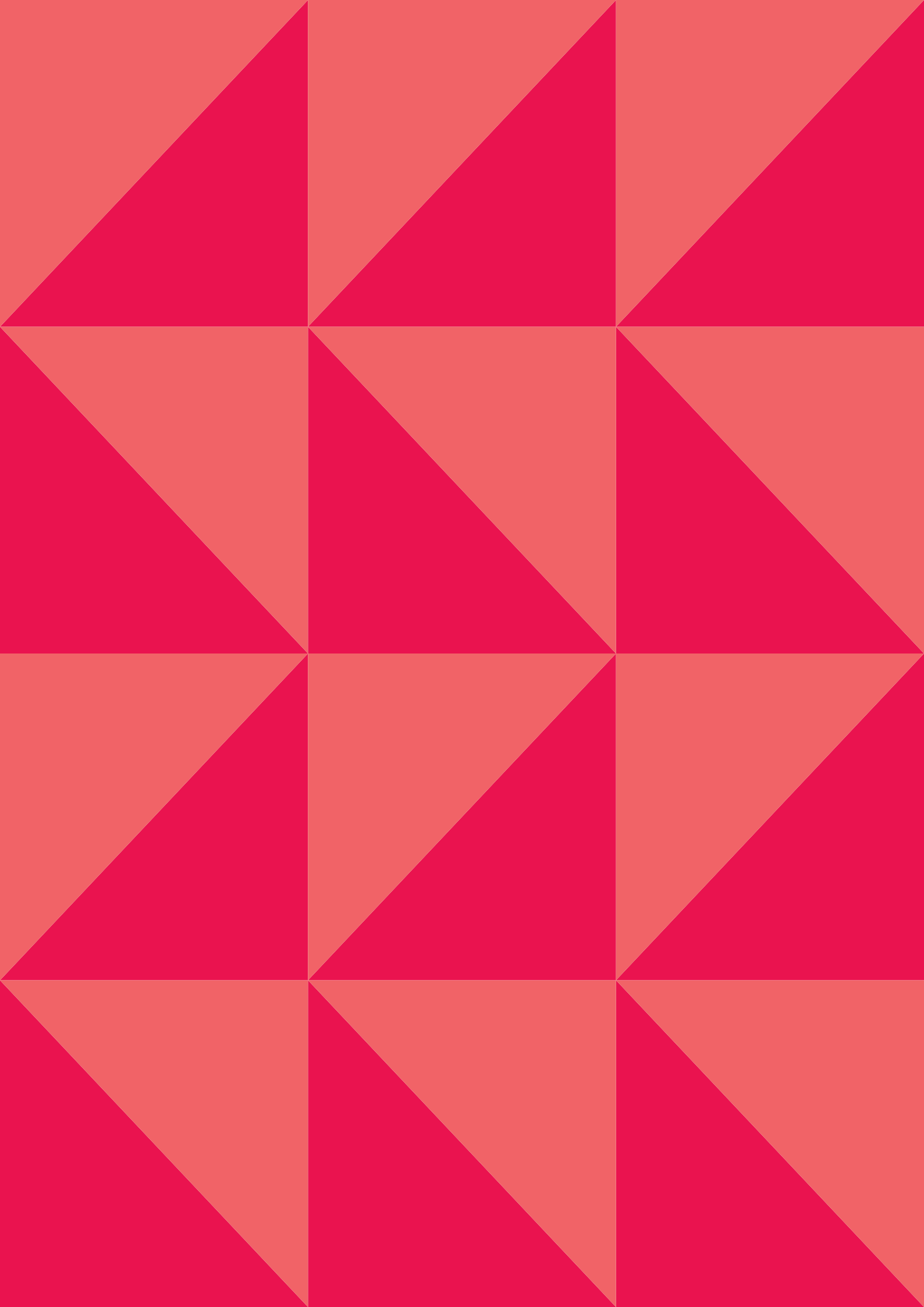
# Microfuture

Future proof microfinance  
for social inclusion



**SOCIAL**

**Labour market and employment**



# Context

## Understanding Microfinance

**Microfinance** describes financial services targeting people who struggle to access credit for the creation of new business ventures, and represents a **valuable alternative to traditional lending services** provided by banks.

By ensuring that credit is available to the most **vulnerable** and **socially marginalised** individuals as well as to **microenterprises**, the power of microfinance lies in its function as an effective development tool, which can **promote social inclusion, entrepreneurship, employment and sustainable development**.

## The Microfuture Project

In line with the vision of **Nobel Peace Prize Muhammad Yunus**, the **MICROFUTURE PROJECT** seeks to define means of future-proofing microfinance. This means reaching all potential beneficiaries, regardless of social demographics, harnessing digitalisation and operating in synergy with today's grand challenges.

MICROFUTURE groups a **partnership of public authorities** keen to use interregional learning to **improve public policy frameworks supporting microfinance**, ensuring that we learn from COVID, adapt to new policy and market requirements and reach the most vulnerable members of our societies.





# KICK OFF MEETING REPORT

## Main Goals

On **May 31<sup>st</sup> 2023**, the **Metropolitan City of Bologna** and the **Yunus Foundation** hosted a **kick off meeting** to launch the project and shed a light on **microfinance trends in the current socio-economic climate**.

Key stakeholders at **international, national, regional and local level** were invited to present and discuss the microfinance landscape. All the speakers are actively involved in the microfinance sector, as professionals or academics, and were invited to share their experiences and critical perspectives. The audience of the event included all project partners and members of the public interested in the topic. This included professionals active in the world of banking, the third sector and public administration.

The event was designed as an **opportunity** for project partners and stakeholders **to interact, share experiences and opinions** about the state of the art of microfinance. Exchange covered the European level, the national level and, lastly, the territorial level by showcasing practical case studies.

The event was organised to explore how these themes are being approached in different contexts, to understand the **opportunities for future-proof microfinance** and to analyse the link between microfinance and social economy.



# MICROFINANCE: FEATURES, CHALLENGES, SERVICES FOR A MORE SOCIAL ECONOMY

31  
MAY  
2023

H 9.00-13.00

PALAZZO MALVEZZI  
BOLOGNA, ITALY

## WELCOME

**Daniela Freddi** *Metropolitan City of Bologna*

**Giuseppe Torluccio** *Yunus Foundation Italy*

## GENERAL FRAMEWORK AND OVERVIEW

**Francesco Piccinelli** *European Microfinance Network*

**Katia Raguzzoni** *Microfinanza Srl*

## CHALLENGES AND NEW DIRECTIONS

**William Gilles** *University Paris 1 Panthéon-Sorbonne*

**Olga Biosca** *Glasgow Caledonian University*

**Marco Paoluzi** *Ente Nazionale Microcredito*

## MICROFINANCE IN ITALY - CONTEXT AND EXPERIENCE

**Andi Duqi** *YSBC Unibo, Yunus Foundation Italy*

**Chiara Buongiovanni** *Social Impact Agenda per l'Italia*

**Benigno Imbriano** *PerMicro*

**Monica D'Imperio** *Ricrediti: microcredito e finanza etica A.P.S.*

**Michele Asta** *Insieme per il Lavoro*

**Daniela Bolzani** *University of Bologna*



## European Level - General Framework and Overview

### Differences between Eastern and Western Europe Countries

According to the study of data, ownerships structures, target and number of beneficiaries, the **microfinance landscape in Europe** is characterised by significant differences between its main macroregions, with a more pronounced focus on **rural microcredit** and **social microcredit** in Eastern European countries vis-à-vis a strong focus on **entrepreneurial microcredit** in Western Europe.



**Financial exclusion/  
inclusion to microfinance  
opportunities:  
main barriers and challenges**

Main financial exclusion stems from factors such as lack of collateral, limited credit history, high transaction costs, socio-economic factors, inadequate regulatory frameworks and lack of knowledge.

## Challenges and New Directions

### Microfinance and Crowdfunding: differences and complementarities

Microfinance and crowdfunding are two distinct concepts, **and not all crowdfunding platforms fall under the category of microfinance**. While microfinance involves commercial activity and the provision of financial services, crowdfunding is characterised by financing from a large number of people for projects they support, typically conducted through online platforms. Crowdfunding platforms may have partnerships or collaborations with insurance companies or microfinance organisations, but they themselves do not provide microfinance services directly.

Another notable difference is that while crowdfunding is among the primary forms of **participatory financing** for microfinance beneficiaries, dedicated microfinance platforms are rare.

On one hand, microcredit services offered by crowdfunding platforms can be considered a form of microfinance, especially when they provide financing to individuals or businesses without access to traditional banking. On the other hand, crowdfunding platforms are not suitable for micro-savings services, as they focus more on investment rather than savings.

### Lessons learned from international case studies

Case studies from Tunisia and Sudan represent some successful initiatives of enabled access to finance and entrepreneurship. From their study, the importance of securing financing emerges, along with the need for a well-designed financial architecture, involvement of financial institutions and recognition that microfinance is not a standalone solution. The regulatory frameworks for microfinance vary across countries and include requirements for reserves, interest rate caps, maximum loan amounts, and establishment of branches. In general, access to finance is one tool among many for economic development and poverty eradication.

### United Kingdom: the state of the art

The United Kingdom microfinance landscape is characterised by an overall lack of funds available for microfinance at the national or regional level, which is combined with the negative impact that Brexit had on loan guarantees schemes.

Cost of living crisis, inflation and post-COVID scenario also affect borrowers' ability to repay, thus exacerbating local vulnerabilities.

Given this general picture, online platforms and AI-powered solutions can play a critical role to reduce costs and expand reach.





# The Italian Microfinance Landscape

## State of the art

The Italian microfinance context is characterised by the presence of micro-enterprises, which make up a larger percentage compared to the European average.

Microcredit for enterprises in Italy is defined by specific criteria. Beneficiaries include self-employed workers, individual companies, partnerships, and cooperative companies. The purpose of microcredit loans is to support various business-related expenses such as purchasing goods, paying salaries, and funding training courses.



The loans have certain characteristics, such as a maximum amount (currently €40,000, but set to increase to €75,000), no collateral requirement, and a focus on launching or developing entrepreneurial initiatives. The loans are always accompanied by auxiliary services of assistance and monitoring.

The Italian microcredit model involves financial institutions, tutors/operators in Business Development Services (BDS), the National Guarantee Fund, and the customer. This model aims for self-sustainability, where non-bankable customers can obtain loans at normal interest rates, financial institutions receive a state guarantee fund to reduce risk, and tutors/operators assist clients to reduce the risk of failure.



## The Italian National Agency for Microcredit

The National Agency for Microcredit is a non-economic public body that facilitates access to credit for micro-enterprises and disadvantaged social categories.

They promote microfinance instruments, provide technical assistance, conduct research, offer training, and promote good practices.

The institution works towards developing a regulatory framework for the microfinance sector in Italy.

## The Social Impact Agenda

The purpose of the Social Impact Agenda is to promote impact investing in main sectors, including strategic areas such as SDG-driven innovation, social economy, and renewable energy communities.

The concept of impact investing means investing in enterprises, organisations, and funds with the goal of generating measurable social impact alongside economic returns.

We are witnessing a growth of impact investing globally, with estimates indicating a market size of USD 1.164 trillion. Overall, it is important to combine financial strategies with social goals to create a positive social impact through microfinance and impact investing.



## Innovative experiences

### Ricrediti

Ricrediti is a social promotion association established in Parma in 2010, with the aim of contributing to social and financial inclusion of vulnerable individuals through microcredit programmes. Its staff includes microfinance programme managers, financial intermediaries and microfinance experts, independent financial consultants, lawyers, accountants, and experts in the traditional banking system.

Its target audience consists of socially and materially vulnerable individuals, including single parents with children, pensioners, people facing housing difficulties or job insecurity, individuals with education-related expenses and struggling small business owners.

Ricrediti focuses on financial literacy to empower individuals to manage their resources effectively. They offer group and individual programmes covering various economic and financial aspects based on individual needs. Topics include budget management, importance of document collection, mortgage assistance, basics of responsible financial investments and business start-up training.

The association collaborates with various stakeholders in the third sector, public institutions, training entities, schools, universities and banks, to expand their network and reach a wider audience. They also provide microcredit services, having disbursed and guaranteed over €1 million by the end of 2022 to 167 beneficiaries, primarily individuals.



### Erasmus+ Project MIG EN CUBE

The Erasmus + Project MIG EN CUBE, promoted with the contribution of the University of Bologna, aims to improve current practices of entrepreneurship support organisations and explore ways to enhance inclusion of migrants in mainstream entrepreneurship support programmes.

The project promoted participation of migrants in the design, delivery and evaluation of programmes. It aimed to increase competences through training and reliance on specialists and foster ecosystems of collaboration with various stakeholders (reception centres, migrant associations, language training schools, and financing organisations).

The project outputs included research reports, a library of good practices, a diagnostic assessment research report on training needs, a MOOC for incubation professionals and several strategic recommendations.

## PerMicro

PerMicro is a financial intermediary supervised by the Bank of Italy that focuses on social impact and aims to create new jobs and promote social, economic and financial inclusion. It offers professional credit and microcredit services, financial education, and support for business start-ups.

The service targets individuals with good entrepreneurial ideas or families with primary financial needs, who are excluded from traditional credit channels due to economic, credit, or employment vulnerabilities. Microcredit is its main financial tool.

PerMicro has industrial partners, private equity companies, and institutional investors supporting its operations. In 2022, it had 23 branches located in 15 regions across Italy. It has colleagues on the ground and covers different areas: Northwest, Northeast, Adriatic, and Tyrrhenian.

The intermediary offers Microcredit for Business, with financing for various purposes such as business startup expenses, business development, rental deposits, furniture and equipment purchases, and vehicles. The recommended profiles include start-ups and new or established businesses with no credit history or real guarantees. The financing amount ranges from €10,000 to €40,000, with monthly instalments and a duration of 24 to 72 months.

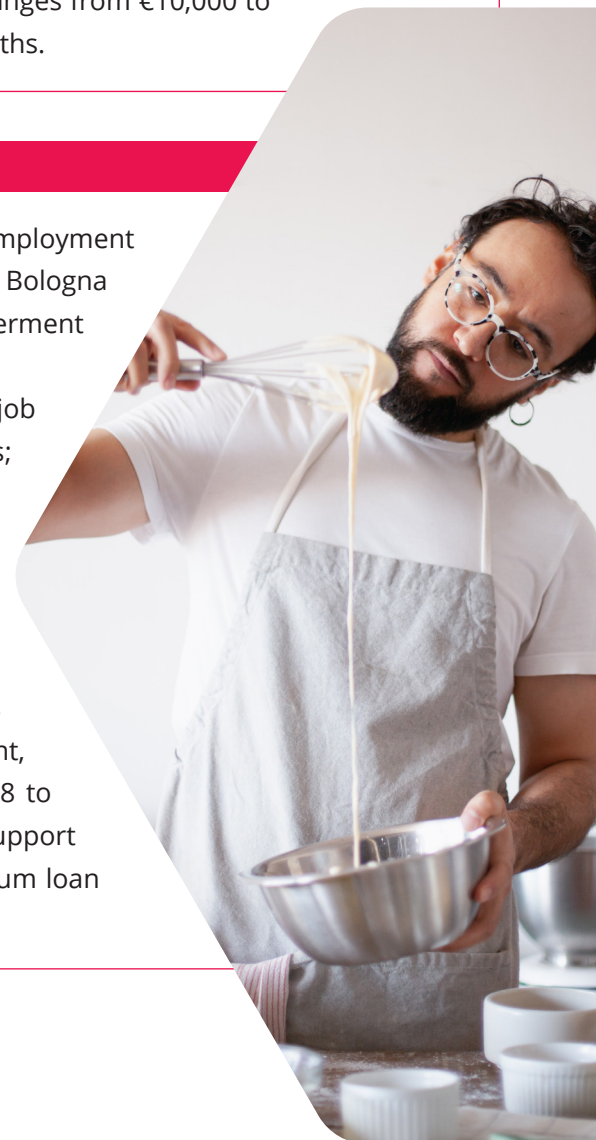


## Insieme per il lavoro

The main objective of Insieme per il Lavoro is to facilitate the employment reintegration of unemployed or underemployed individuals in the Bologna area. This is achieved through personalised training and empowerment programmes.

Insieme per il Lavoro focuses on three main areas: connecting job demand and supply through support, training, and internships; providing targeted training based on market needs; and supporting social innovation projects and aspiring entrepreneurs.

The organisation has supported 6,158 individuals and facilitated 1,989 job placements. Microfinance tools, made possible by the Microfinance Fund of the San Petronio Foundation and collaboration with EmilBanca, play a crucial role. These tools include “loan of honour” for individuals seeking employment, with a maximum amount of €5,000 at a 5% interest rate over 18 to 60 months. Self-employment programmes offer personalised support and microfinance tools for aspiring entrepreneurs, with a maximum loan amount of €25,000 at a 6% interest rate over 18 to 60 months.







**OIR PECU**  
Regiunea București Ilfov



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Carol I Blvd., no. 34-36, 11th floor  
district 2, 20922 Bucharest, Romania

☎ 0040726721842

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