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Réseau Financement
Alternatif
Ensemble, changeons la finance

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PART 1 CONTEXTUAL QUESTIONS

This chapter has been completed by every partner successively at a national level in order to compose one general contextual view.

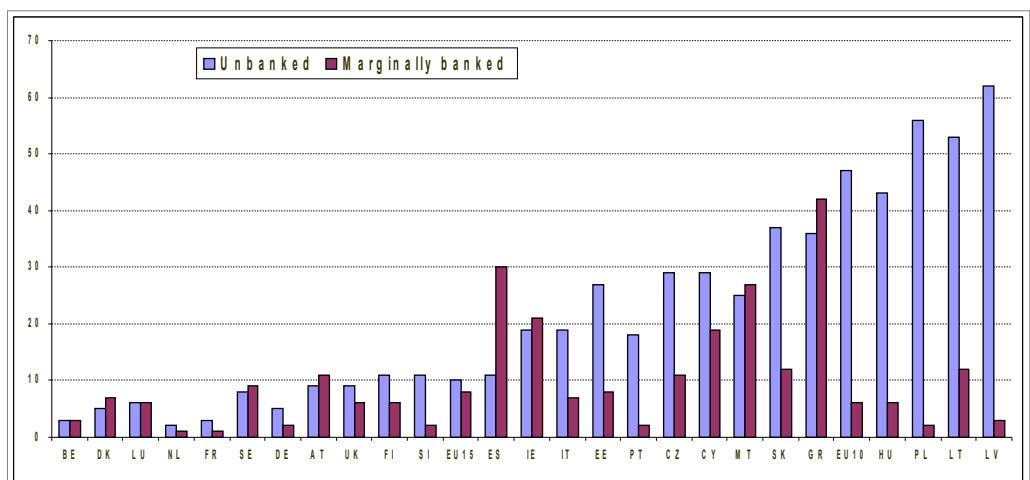
1 Financial exclusion problems, public debate and data

1.1. Financial exclusion overview in Italy

Financial exclusion is defined as “a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.”

According to the study “Financial Services Provision and Prevention of Financial Exclusion” released by the European Union in May 2008 the percentage of population lacking access to a basic transaction account (unbanked) or only limited access (marginally unbanked) in Italy is respectively almost equal to 20% and 7%.

The comparative situation in Europe as it emerged from the EU research is synthetically showed in the graphic below:



The Italian situation reveals the existence of a broad market not yet served by the existing institutions. Indeed, it is evident that today there is a wide sector of individuals in marginal situations being blocked by the difficulty or the impossibility to access credit.

1.2. Main reasons and main consequences observed

Non-exhaustive list:

- No access to a payment account

Compared to the rest of Europe, Italy shows the lowest level of banking: according to a national research carried out by Banca d'Italia in 2010, 11% of Italian households are not involved in any kind of financial activity. These data are underestimated because they exclusively concern the resident Italian population. Indeed, if the non-resident immigrant population is also considered, according to Eurobarometer 60.2 2003, the percentage of people in Italy that are financially excluded is equal to 16% against a EU average of 10%¹.

These data do not only refer to poor people but also to people from different social categories, i.e. low-income people, temporary workers, students, immigrants, young and old women mainly living in the South of Italy.

One of the major causes of financial exclusion is the high costs of banking services. Indeed, the high burden of duties and taxes to open and manage a payment account represents in Italy a big obstacle for low-income people to get access to financial services. This fact contributes to reduce the convenience of using banking services (average costs of 150 euro per year plus 34,20 euro as taxes)².

- No access to electronic means of payment (transfer)

With reference to international standards, Italy still shows limited use of electronic means of payments and particularly of non-cash instruments. The high diffusion of cash payments is due to several reasons; among them, the most important one is related to cultural attitudes and lifestyle of Italian people. Moreover, the strong presence of the “black” market in the Italian economy is another important reason that makes the access to electronic means of payment difficult. Finally, it has to be said that Italians (particularly young and high income people), in line with a general

¹ Banca d'Italia, Occasional paper No. 96, “Questioni di Economia e Finanza. Inclusione finanziaria: le iniziative del G20 e il ruolo della Banca d'Italia”, Luglio 2011

² Fondazione Giordano dell'Amore

tendency in Europe, are more and more using home banking services offered by some banks.

- Access to financial services but not using them

Statistics show that among the Italian people who have access to financial services, there is a significant part that does not manage to make frequent financial operations. Indeed, very often, banking accounts are used only to save money and not to conduct effective financial transactions.

- Access and use of financial services but excessive costs or accumulation of fees following incidents (late repayments etc.)

See the answer related to “*No access to a payment account*”

- Access and use of credit but unsustainable overindebtedness

The overindebtedness problem is unfortunately a big issue in Italy. On one hand, this problem is linked to the aggressive behaviour of some credit providers: strong commercial approaches produce negative effects on the clients' life; and on the other hand, a big number of overindebted persons face this kind of problem since they lack appropriate financial culture and education.

1.3. Public debate on financial exclusion

1.3.1. A multi-dynamic debate

The Italian debate on financial exclusion started out very recently compared to other European countries. Since the beginning, the debate has involved a diversified range of actors including public entities, private institutions, financial institutions and not-for-profit organizations.

Financial exclusion, meaning the lack of access to basic financial services such as a bank or postal account, has been addressed in different ways for more than a century, but Italy has never achieved an inclusive financial sector.

The Italian debate on financial exclusion is based on the assumption that this phenomenon does not represent an isolated issue but that is interlocked into different socio-economic dynamics.

1.3.2 *Players involved in the country's debate*

The principal Italian actors of the public debate on financial exclusion are:

- ➔ **Academics:** their attention is mainly addressed to compare the Italian situation with the one in other countries and they are more far-seeing when considering the trend in modern economies and the risk of “financial divide”.
- ➔ **Banca d’Italia:** the National bank of Italy plays a leading role in the current debate on financial exclusion both at national and international level.
- ➔ **Associations and authorities** are mainly concerned about the costs of banking services and the risk of usury. Consumer associations are campaigning against unfair conditions, high costs and fees, and poor transparency.
In January 2006, the Italian Antitrust Authority set up an enquiry to examine the prices of banking services charged to retail customers. The conclusions were as follows: the banking market shows an informative deficit to the customers’ detriment; there are various obstacles to customer mobility; there are often bounding (packages) offers that oblige the customers to subscribe to more services than they really need. In this light, the **Italian Bank Association** (ABI) is working on boosting banks to improve transparency, to make the comparison among different proposals of current accounts easier and to reduce costs.
- ➔ As far as, **banks** among different issues, are concerned about the inclusion of a specific market segment represented by migrants. In order to serve this market segment, and thus achieve advantages in terms of business volume, income and customer relations, banks are working both to develop strategies to reduce organizational barriers and to create new products fitting migrants’ financial needs³.

In line with the debate on financial exclusion, some Italian banks are more and more active in finding and implementing practical solutions. The latter include developing new products and services that are more appropriate to the specific needs of financially excluded people and working in partnership with not-for-profit organizations or public authorities to reduce costs and barriers to access. Commercial social-oriented providers, including savings banks, post offices and other mutual co-operative providers, are particularly active in developing such new products. Moreover, voluntary charters and codes of

³ University of Milan, “Study on financial services provision and prevention of financial exclusion”, Italy, 2007

practice to provide basic bank accounts, developed by the banks themselves through their trade associations, are a common response to financial exclusion⁴.

1.4. Affordable Personal Inclusive Credit (APIC) political agenda

The APIC initiative finds an important place in the above mentioned public debate.

Indeed, social microcredit initiatives like APIC are relevant since they help to support low-income people facing temporary emergencies that could fall into permanent vulnerability conditions.

The Italian APIC initiative represents one of the effective responses to poverty and social exclusion in Pistoia, helping vulnerable people to improve their life conditions through the access to affordable personal credits.

- The APIC initiative is integrated in the debate on financial exclusion in Tuscany thanks to the provision of affordable credits for social purposes;
- The promotion of financial inclusion for vulnerable people;
- The prevention of overindebtedness problems through advisory services;
- The prevention and the fight of usury.

In this framework, the APIC project aims to promote a “corrective” action, particularly towards households and individuals facing overindebtedness problems. Often, people have easy access to credit provided without any effective analysis of their real needs and capacity to pay back the loan. As consequence, the availability of non-adapted credits can very often be at the origin of a negative circle creating social vulnerability, exclusion and marginalization. The APIC project represents a concrete contribution to solve this problem.

⁴ European Commission, Consultation document “Financial inclusion: ensuring access to a basic bank account”, 2009

2 Personal consumer credit legal framework and regulation

2.1 Regulation for credit institutions

The financial activity is ruled by a specific legislation of the Italian government and by the regulation of the credit authorities.

The law states that credit can be provided by banks or by financial intermediaries only if:

1. They are authorized by the Italian Central Bank;
2. They comply with requirements relative to:
 - The legal form (corporate company limited by shares, cooperative, limited liability company);
 - They carry out financial activities in an exclusive way;
 - They show the minimum equity requirements (five times the stock compulsory capital for corporate companies limited by shares (i.e. EUR 500.000));
 - They respect the established ratio between equity and debt.

The concerned institutions are commercial banks and cooperative banks.

The mainstream banking sector represents a big part of the consumer credit offer since it has a vast geographical coverage and is able to approach a diffuse clientele. Particularly, in the mainstream banking sector, we can distinguish⁵:

- **Banks** (private institutions) play an important role in offering consumer credits through financial societies (finanziarie) and promoters. These two categories of credit providers are registered in a special list according to the article 107 of the Italian Banking Law (TUB) and they have a legal status of private for-profit companies.
- **Finance companies** (private institutions): these societies have a lead role because their services are directly proposed by the sellers to the consumers at the time of the purchase. In the end, these fund societies provide more personal consumer credit than the banks themselves, despite the fact that their conditions are more onerous.

⁵ "Indagine conoscitiva sul credito al consumo" - Camera dei Deputati, 11 novembre 2009

- This category also includes financial providers and **other agents** and **credit mediators** enrolled in a general list according to the art.106 of the Decree n° 135 issued in September 1, 1993 and in a special list according to the article 107 of the Banking Act (Testo Unico Bancario - TUB) of the banking sector. These lists, controlled by Banca d'Italia, are public and available on the web. Providers not enrolled in the above-mentioned lists cannot provide personal consumer credits and are punishable by law, according to the article 132 of the TUB concerning the credit and banking sectors. Like banks, finance companies can grant various type of credit – mortgages, consumer credit, leasing – but unlike banks they do not collect funds in the form of current or deposit accounts.

2.2 Law enforcement

The main illegal practice, on credits' provision in Italy, consists in the offer of credits at very high interest rates, above the maximum cap established by the Law 108/96.

Such interest rate practice mainly concern financial intermediaries not enrolled into specific lists provided by the Bank of Italy. These cases mainly refer to the phenomenon of "usury", consisting in giving loans at interest rates that are excessively high, making the credit repayment impossible for clients.

Regarding the usury phenomenon, public institutions (particularly local entities) are more and more engaged in working together with anti-usury institutions operating at national and local level, to support vulnerable people in overcoming socio-economic related problems. These initiatives are often realized through the establishment of special solidarity funds (in 1999 a specific usury law was released taking into account also the establishment of public solidarity funds).

In Italy, there is also a particular category of (social) funding specifically addressed to overindebted persons lacking any kind of credit and potential victims of usury: these funds are called "anti-usury funds" and are channelled in Tuscany, through the Tuscany Foundation for usury prevention, in collaboration with volunteer associations and church associations such as the Misericordie.

Talking about illegal practices, it is fundamental to also mention the aggressive behaviour of certain financial intermediaries, that sometimes operate without respecting basic transparency and correctness principles in credit provision.

In Italy, consumer credits are ruled by the decree n°141 (13/08/2010), which is in line with the European Directive n°48/2008, promoting transparency and correctness in the financial relationship between credit providers and clients.

With particular regard to transparency the Italian norm imposes that:

- The contractual conditions are clearly written;
- The credit promotion is “responsible” and sensitive of clients’ needs;
- A copy of the credit contract has to be handed in to the counterpart in order to assign incontestability and protect the weaker part in the contract.

Regarding these issues, there is a EU-wide investigation on websites offering consumer credits, carried out in January 2012, that checked whether consumers received transparent information on consumer credit before the contract signature as per the EU consumer law. It emerged that 12 out of 15 Italian websites surveyed showed irregularities. These websites are currently being controlled.

Moreover, the sanctions imposed by the Italian Antitrust Authority “Autorità Garante della Concorrenza e del Mercato” confirm the persistence of illegal business practices in this sector. Indeed, in the last quarter of 2011, the Antitrust Authority imposed sanctions to small brokers for a total amount of 140.000 EUR, as well as penalties to important financial banking groups for violations in the interest rate information.

Concerning transparency issues, it is important to mention the experience of revolving credits for low-income people. This credit instrument allows the client to apply for a credit line without a specific purpose (prestito non finalizzato) and with a fixed maximum amount which can be withdrawn when it is needed. This contract usually involves a relatively small start-up fee, which is often required to be paid on an annual basis. As long as the client repays his/her debt, the amount of available credit will automatically increase back to the maximum. The most common type of revolving credit is the credit card.

In Italy, many people use revolving loans to purchase common goods like phones, refrigerators or televisions. This way they often have access to an expensive and refundable revolving credit card and a bank account with high interests and unclear contract conditions. These illegal practices mainly relate to lack of transparency, application of usurious interest rates and unclear information on credit products. During the last years, they have generated several judicial inquiries and civil proceedings⁶.

Finally, to protect credit consumers, the Italian Minister of Economic Development has financed a project, entitled « Guarda che ti riguarda » (www.guardachetiriguarda.it). It is implemented by 5 associations belonging to the

⁶ Banca d’Italia “Credito revolving concesso con carte di credito: cautele e indirizzi per gli operatori”, Italy, April 2010

National Council of Consumers and Users (Consiglio Nazionale dei Consumatori e degli Utenti- CNCU). This project intends to promote consumers' rights and awareness on the opportunities and protection's tools concerning personal consumer credit.

2.3 Consumer credit legislation and exceptions

2.3.1 Interest rate cap or other usury limit applicable to personal consumer credit

Usury is the act of lending money at an unreasonably high interest rate defined at the state level. Repayment of loans at a usurious rate makes repayment excessively difficult to unaffordable for borrowers.

Usury has recently come back into legal conversations due to the emergence of pay-day loans and sub-prime lending. These types of loans are aimed at those who are at greater risk of defaulting and more at-risk of not being able to fill their payment obligation, often those with lower incomes.

Regarding mortgages and personal consumer credit, the interest rate starts to be considered usurious when it exceeds the determinate values. The law against usury (n°108 of 1996) requires that the interest rate cannot exceed a certain threshold established every three-months by Banca d'Italia on behalf of the Ministry of Economic and Finance. It is also worth to highlight that the same law established a National Solidarity Fund for entrepreneurs, amended and extended to families and individuals by the law n.44 of 1999.

Currently, from 1/04/2012 to 30/06/2012, the interest rate for personal loans to families cannot exceed 18.25% but it varies according to the different types and amount of credit, i.e. personal credit (credito personale), targeted loan (prestito finalizzato), leasing, mortgage loan, other funding, revolving credit, employer loan (cessione del quinto, loan paid back through deduction of one fifth of the pay check).

Consequently, in case of funding, banks and finance companies have to be sure that the interest rate does not exceed the established usury rate. If these bodies do not comply with the defined mark, they immediately become "loan sharks" and subject to the legal consequences imposed by the above mentioned law, even losing any rights to any lawful rates. It is important to highlight that lately the law against usury has also been extended to the penalty interest rate⁷.

⁷ Banca d'Italia

According to the art. 132 of the Banking Law (TUB) three types of sanction exist:

Civil sanctions, which include the reduction of the interest to either the principal or permitted rate of interest, or the contract cancellation with the possibility of judicial allocation of the obligations under the contract.

Criminal sanctions include imprisonment from 2 to 10 years and/or fines from 5,000 to 30,000 EUR. Administrative sanction are generally loss of a license to trade.

2.3.2 Illustration

- €1.099, loan in 12 monthly instalments.
 - ✗ Fixed TAN (annual nominal rate) of 0,00%
 - ✗ Annual report tax : € 1,81
 - ✗ Preliminary bank charges: € 54,95
 - ✗ Disbursement stamp taxes: € 14,62
 - ✗ Instalment receipt taxes: € 1,50
 - ✗ Instalment periodicity: monthly
 - ✗ First instalment amount (inclusive of stamp taxes and instalment receipt taxes): € 112,28
 - ✗ Following instalments: € 97,66 (inclusive of Instalment receipt taxes)
 - ✗ Postponement instalment tax (for each instalment postponed): 1,5 % of the due monthly amount.
 - ✗ APR: 15,56%
 - ✗ Advance Extinction credit tax: 1% of the residual amount (the contract is older than 1 year), and 0,5% of the residual amount (the contract is equal or younger than 1 year), only if the refunded amount corresponds to the whole residual amount and if, as in this case, the sum is lower or same as € 10.000.
 - ✗ Late payment costs: 1,5% monthly of the monthly due amount (exclusive of additional costs)
- €589, loan in 12 monthly instalments.
 - ✗ Fixed TAN (annual nominal rate) of 0,01%
 - ✗ Annual report tax : € 1,81
 - ✗ Disbursement stamp taxes: € 14,62
 - ✗ Instalment receipt taxes: € 1,50
 - ✗ Preliminary bank charges: € 29,45
 - ✗ Instalment periodicity: monthly

- ✗ First instalment amount (inclusive of stamp taxes and instalment receipt taxes): € 67,66
- ✗ Following instalments: € 53,04 (inclusive of Instalment receipt taxes)
- ✗ Postponement instalment tax (for each instalment postponed): 1,5 % of the due monthly amount.
- ✗ APR: 21,12 %
- ✗ Advance Extinction credit tax: 1% of the residual amount (the contract is older than 1 year), and 0,5% of the residual amount (the contract is equal or younger than 1 year), only if the refunded amount corresponds to the whole residual amount and if, as in this case, the sum is lower or same as € 10.000.
- ✗ Late payment costs: 1,5% monthly of the monthly due amount (exclusive of additional costs)
- €1.099, loan in 24 monthly instalments.
 - ✗ Fixed TAN (annual nominal rate) of 0,01%
 - ✗ Annual report tax : € 1,81
 - ✗ Preliminary bank charges: € 82,42
 - ✗ Disbursement stamp taxes: € 14,62
 - ✗ Instalment receipt taxes: € 1,00
 - ✗ Instalment periodicity: monthly
 - ✗ First instalment amount (inclusive of stamp taxes and instalment receipt taxes): € 64,85
 - ✗ Following instalments: € 50,23 (inclusive of Instalment receipt taxes)
 - ✗ Postponement instalment tax (for each instalment postponed): 1,5 % of the due monthly amount.
 - ✗ APR: 11,04%
 - ✗ Advance Extinction credit tax: 1% of the residual amount (the contract is older than 1 year), and 0,5% of the residual amount (the contract is equal or younger than 1 year), only if the refunded amount corresponds to the whole residual amount and if, as in this case, the sum is lower or same as € 10.000.
 - ✗ Late payment costs: 1,5% monthly of the monthly due amount (exclusive of additional costs)
- €2000, loan in 24 monthly instalment⁸.
 - ✗ Fixed TAN (annual nominal rate) of 8,49%

⁸ The example of 2,000 EUR loan according is provided according to the experience of one of the bank involved in the APIC project. The concerned bank cannot provide loans of an amount lower than 2,000 EUR.

- ✗ Preliminary bank charges: € 20
- ✗ Disbursement stamp taxes: € 14,62
- ✗ Instalment receipt taxes: none
- ✗ Instalment periodicity: monthly
- ✗ First instalment amount (inclusive of pre-depreciation charge interests): € 95,09
- ✗ Following instalments: € 90,90
- ✗ Unit cost for communications under the law: € 0,85
- ✗ Postponement instalment tax (for each instalment postponed): € 25,00
- ✗ APR: 10,97%
- ✗ Advance Extinction credit tax: zero, only if the refunded amount corresponds to the whole residual amount and if, as in this case, the sum is lower or same as € 10.000.
- ✗ Late payment costs: arrears interest equal as TAN (annual nominal rate) increased of unchangeable 2% .

2.3.3 The specifics of legislation concerning credits

The laws concerning the credit are regulated by the Italian Banking Law, (Testo Unico Bancario – TUB), n° 185 of 1/09/1993, whereas the personal consumer credit is regulated by the decree law dated 13/08/2010 based on the European Guideline on the subject.

Apart from the traditional banks and other financial intermediaries, a new law in Italy also allows certain actors to provide microcredits under 25,000 EUR, without asking for real guarantees and providing assistance and monitoring services to beneficiaries. According to the national law, these new microcredit providers must be registered in an association that has the responsibility to check the general respect of the law. At the same time, this Association is controlled by Banca d'Italia that verifies the adequacy of internal procedures and informs the Ministry of Economics and Finance.

2.3.4 Special regulation of hire purchase in comparison with personal consumer credit

Such regulation does not exist.

2.4 Risk assessment, financial capacity assessment, responsible practices

2.4.1 Regulation on credit risk and/or creditworthiness assessment

Credit risk has progressively become a crucial issue in Italy particularly after the Basel Accords, which are the international agreements set up by the central bank governors of the most developed countries in the world (G10).

The risk of not receiving back a given loan must be calculated directly by banks, in order to protect the overall credit portfolio quality and, more generally, to maintain a good stability and strength of the entire banking system.

In Italy, for managing credit risks, banks and financial intermediaries use different kinds of databases, where clients' credits data are tracked and conserved for a certain period of time depending on the type of credit provided.

The most important data base is the Central Credit Register (Centrale Rischi), an informative system based on data and information related to clients' indebtedness. This system aims at offering a valid support to financial providers during the credit evaluation process.

Regarding the normative, the regulations on credit risk – which takes effect from January 2007 – are based on the amendments at the 1993 Banking Law.

The supervisory framework on credit risk is founded on three "pillars":

- The first introduces capital requirements to support the risks that characterize banking and financial activity (credit risk, counter-party risk, market risk and operational risk). To this end, the regulations provide for alternative methods for calculating capital requirements, featuring different levels of complexity in the approaches taken to measuring risk, and in organizational and control requirements.
- The second pillar requires banks to adopt a strategy and control process for assessing current and prospective capital adequacy, charging supervisory authorities with the task of ascertaining the reliability and consistency of results and of adopting, where necessary, appropriate corrective measures.

- The third pillar introduces disclosure requirements concerning capital adequacy, risk exposure and the general features of the related risk management and control systems.

The new regulatory approach, based on a revised system of rules and incentives, enables more effective pursuit of prudential supervision objectives, set out in the Article n°5 of the 1993 Banking Law. It provides a precise measurement of a broader range of risks, and ensures that capital requirements are closely linked to the real risk exposure of each intermediary. Moreover, it provides incentives for banks to improve their management practices and risk measurement techniques, including possible reductions in the amount of capital they are required to hold.

The new system also ensures a more competitive level playing field, with the expanded harmonization of activities and techniques, and enhances the role of market discipline with the introduction of specific disclosure requirements.

The improved regulatory framework offers potential benefits for people indirectly affected by it (enterprises, individual savers, investors and customers), thanks to the stimulus it provides to increase efficiency and competition in the banking sector.

The regulations take into account the diversity of banks in terms of size, complexity and other features, laying down different rules in certain areas and, more generally, encouraging the application of the regulations in a manner consistent with the specific characteristics of each intermediary.

Banks' governing bodies play a key role in risk management and control. They are required to develop risk management strategies and policies, verify their continuing effectiveness and efficiency, specify the duties and responsibilities of the various corporate functions and units and, more generally, ensure that all the risks to which banks could be exposed are adequately covered.

More in details, the field is governed by:

- The Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions;
- The Directive 2006/49/EC of 14 June 2006 on the capital adequacy of investment firms and credit institutions;
- The 1993 Banking Law
- The Decree 242633 issued by the Minister of the Treasury of 22 June 1993;
- The resolution of the Credit Committee of 12 January 1994 concerning the supervisory capital and solvency ratio of banks and banking groups (Articles 1 to 4);

- The resolution of the Credit Committee of 2 August 1996 and the Decree of the Minister for the Economy and Finance of 5 August 2004;
- The Decree adopted as a matter of urgency by the Minister for the Economy and Finance as Chairman of the Credit Committee, of 27 December 2006.

Other relevant sources are:

- Legislative Decree 87 of 27 January 1992 on the annual accounts and consolidated accounts of banks and other financial institutions;
- Legislative Decree 38 of 28 February 2005 on the exercise of the option envisaged in Article 5 of Regulation (EC) 1606/2002 on the application of international accounting standards;
- The international agreement International Convergence of Capital Measurement and Capital Standards. A Revised Framework, published by the Basel Committee for Banking Supervision in June 2006;
- The guidelines issued by the Committee of European Banking Supervisors.

Finally, as showed above, the main Italian norm on credit risk refers directly to the internal organization and management of credit providers. Any specific norm exists concerning how credit providers must evaluate clients' credit demands.

2.4.2 Positive or negative credit check databases: Italian overview.

The Central Credit Register (Centrale Rischi) is an information system for banks and financial companies on customers debts. This system is supervised by Banca d'Italia, which collects information⁹ on customers' borrowings from intermediaries, and notifies them on their credit risk profile. The main objective of the Central Credit Register is to provide a service intended to improve lending quality of the credit system, and ultimately to enhance its stability. The collected data are private but people interested in knowing their place in the Central Credit Register can apply for demands directly to Banca d'Italia.

The Credit Bureau is the informative service provided through the Central Credit Register. It collects and provides information from the different banks and financial intermediaries registered¹⁰ on individual consumers. This service has been replaced by the Credit Information Systems (CIS) (Sistemi di informazioni creditizie), through which banks and financial intermediaries exchange positive and negative information on credits. Exchange of information is done exclusively with the purpose

⁹ For details, see next page, section "Type of credits registered"

¹⁰ For details, see next page, section "Type of information collected"

to protect credit providers against an excessive credit risk exposure. These databases are also checked during the credit evaluation process in order to evaluate the clients' creditworthiness and their relative overindebtedness level. In Italy, active CISs are Experian, Consorzio Tutela Credito, Crif, e Assilea¹¹.

The most important register is managed by CRIF, private company specialized in the field of banking credit information, business & commercial information and credit & marketing management services. CRIF is an independent company with 90% of its capital held by founder members and management, and the remaining 10% by various credit institutions, that manage a credit information system called EURISC (an informative system containing data on credit demands and credits provided by banks and financial intermediaries to private persons as well as enterprises).

The availability of these sources of information is central because this way, banks and financial intermediaries manage to provide credits without any request of guarantee, and on the basis of the assessed clients' performance. Personal data in the CISs are conserved for a maximum period of three years. In case of denied credit, personal data are conserved for a maximum period of 30 days.

- Type of registered credits

The Central Credit Register provides - on monthly basis - the whole amount of credit (of amount equal or superior to 30,000 EUR) granted by the banking system to a counterpart, the whole use made by the client according to the type of credit received as well as eventual repayment in arrears. Moreover, it provides further information about the amount of financial providers, indirect risks, links, guarantees etc.

CRIF, on a monthly basis, indicates the details of funding for every amount (including credit amounts that are lower than 30,000 EUR), credit lines and credit card operations reporting late payments, unpaid instalments, overdue credits etc. The first late payment is reported only if the person does not pay for 2 months in a row.

- Type of information collected

The collected information concerns the type of credit (personal consumer credit, mortgage, etc.), the client credit situation (request, extinguished credit, etc.), the agreed reimbursement plan (number of instalments, average amount, starting date etc.), the bank or the financial provider providing the information, positive or negative trend of payment, credit recovery activities or potential legal arguments.

¹¹ Banca d'Italia

- Provided by whom (all credits providers, only some (%)?)

Banks and financial providers authorized under the law.

- Who is allowed to consult the database?

Financial intermediaries after clients' authorization.

- How long does a negative recording last?

According to the ethical code on the subject, CRIF holds the information as follows:

- ✗ Requested and under evaluation funding: 6 months from the requesting date.
- ✗ Demission or refusal of funding: 1 month from the demission or refusal date.
- ✗ Regular reimbursed funding: 36 months from the effective discharge date.
- ✗ Late payments of 1 or 2 instalments: 12 months from the date the regularization is communicated (only if during the 12 months the repayments are regular).
- ✗ Late payments of 3 or more instalments: 24 months from the date the regularization is communicated (only if during the 24 months the payments are regular).
- ✗ When no regularization occurs, and after a period of 36 months from the fixed loan term or from the last update of the financial institution, data are removed from the informative database.

- How does positive or negative registration impact credit access and/or use?

Except for the cases where financial intermediaries operate according to declared social purposes, credits are normally provided to requesters if the information on clients' worthiness are evaluated as positive. If the evaluation of clients' creditworthiness is negative, access to credit is consequently denied.

These checklist databases are considered by banks as fundamental and important sources of information on enterprises and individual financial behaviour. Indeed, banks and financial providers consider the information provided by these databases more complete than those available in individual financial statements.

The validity and robustness of these data consist in the fact that they are directly provided by financial intermediaries, continuous, technical and automatic.

Progressively, these databases have been conceived in a simpler way, they have been updated, made user-friendly and understandable, in order to be considered not only as a pure bank service but also as a real support service for entrepreneurs and individuals.

2.4.3 APIC and overindebted people

A debt relief scheme has as objective to recuperate partial or total payment of a credit in case a client explicitly refuses to repay a loan, or when the client is not able to respect his credit obligation because of a temporary difficulties/constraints.

In Italy, there are two main debt relief schemes: amicable and judicial. The amicable is an extra judicial procedure based on the collaboration with the client. Its procedure consists in the following steps:

1. Phone call;
2. Intimation letter showing clear information on capital, interests and eventual commission fees that are still dues. The letter also informs the client on the fact that the application will be sent to a dedicated agency specialized in credit recovery;
3. Personal contact: credit agents meet the client, directly to check the situation and verify the feasibility of a recovery. They also try to negotiate a credit recovery plan;
4. Penalties: the client receives a last letter in which he/she is invited to pay back the loan, by a fixed date beyond which the judicial procedure will start.

If the amicable procedure doesn't produce any positive effect, the effective economic and patrimonial client's capacity is checked, in order to assess whether the basic conditions exist to start the judicial procedure.

Currently the Italian APIC initiative has put in place only the first step of the procedure, meaning that clients with payments in arrears are mainly contacted through call phones.

If people already engaged in an amicable debt counselling procedure apply for an APIC credit, the specific case is thoroughly evaluated and, after an appropriate analysis of the individual socio-economic situation, a microcredit loan can be finally provided.

When these kind of cases happen, particular attention is given to the fact whether the microcredit can effectively be "useful" for the beneficiary, helping him to solve his/her problems, by restructuring his/her previous delayed loans already contracted. The effective capacity of the beneficiary to pay back the microcredit according to the repayment schedule is also primarily considered.

The Court procedure is the last step of a normal credit recovery process, and it is used to obtain an executive title from the client allowing to acquire a client's goods (car, house, money, working means, etc.) by force. This phase can only start after having assessed the effective client's capacity to repay the loan through his/her properties.

Concerning the microcredit project in Pistoia, there are only few cases of credits in arrears that are currently processed under the court procedure.

If a beneficiary is engaged in a judicial debt procedure apply for an APIC credit, in most cases, the request is not approved. Only in few particular cases, the loan request can be satisfied, after having assessed the loyalty of the person, and after evaluation of the guarantee and assets available.

2.5 Risk assessment, financial capacity assessment, responsible practices

The main national regulations having potential effects on the APIC initiative are:

- The norm on microcredit;
- The main Italian Law on credit provision (TUB)

Regarding microcredit, in Italy, there is actually no specific rule recognizing and regulating the sector. Indeed, microcredit is ruled by the Act Testo Unico Bancario. Banking and non-banking financial institutions are regulated by the law.

Foundations and NGOs do not have a specific supervision or legal framework. However, it must be said that in Italy, there is an ongoing debate concerning a new microcredit regulation, that should be released by the Ministry of Economics and Finance.

Establishing a clear and specific legal framework is more and more important in Italy, since the number of organizations in the Italian microcredit sector is growing. In 2008, an Italian microcredit network, RITMI, was established. This network brings together the Italian institutions involved in microcredit, and endeavours to coordinate and facilitate the development of this activity by sharing experiences and common practices.

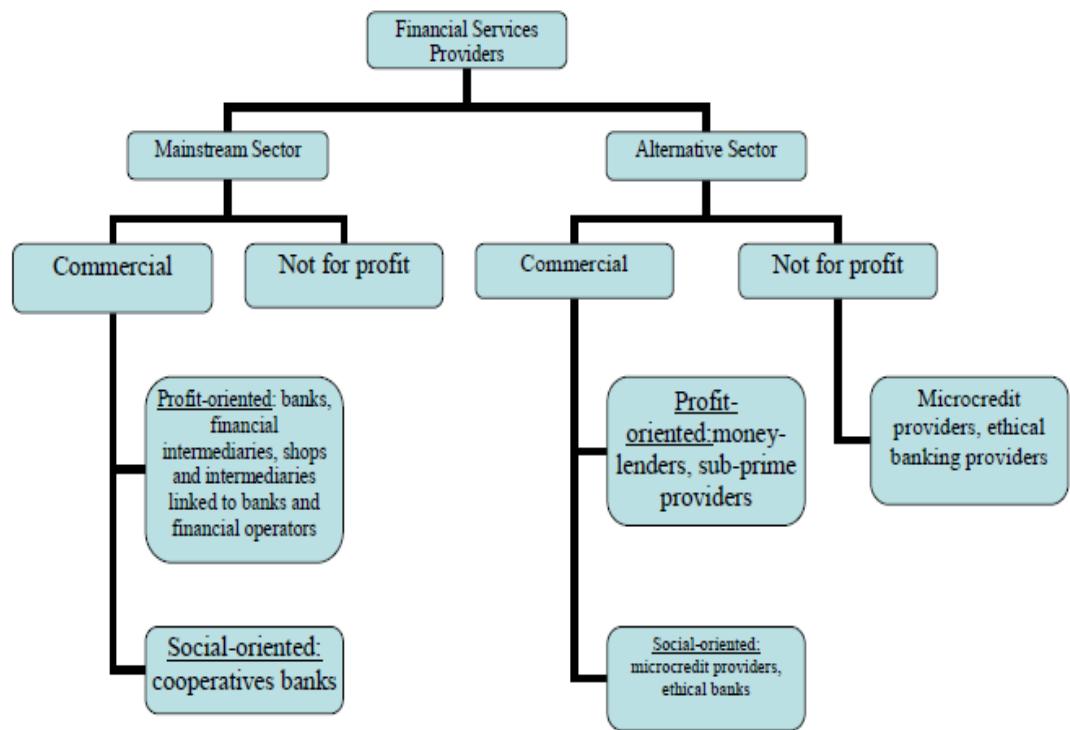
2.6 Final conclusions, comments and lessons learned from the legal environment

- The financial activity in Italy is ruled by a specific legislation of the Italian government, and by regulations of the credit authorities.

- The mainstream banking sector has a big market share in the offer of consumer credits. The main credit providers are: banks, finance companies, agents and credit mediators.
- The main illegal practices on credit provision in Italy consist in the offer of credits at very high interest rates above the maximum cap established by the Law 108/96.
- In Italy, consumer credits are ruled by the decree n°141 (13/08/2010), which is in line with the European Directive n°48/2008, promoting transparency and correctness in the financial relationship between credit providers and clients.
- Laws concerning the credit are regulated by the Italian Banking Law (Testo Unico Bancario – TUB), n°85 of 1/09/1993, whereas the personal consumer credit is regulated by the decree law dated 13/08/2010, based on the European Guideline on the subject.
- Regarding microcredit, a new law also allows some actors to provide microcredits up to 25.000 EUR, without asking for real guarantees, and providing assistance and monitoring services to beneficiaries. There is an ongoing debate concerning a new microcredit regulation that should be released by the Ministry of Economics and Finance.
- In Italy, to manage credit risks, banks and financial intermediaries use different kinds of databases where clients' credit data are tracked and conserved for a certain period of time, depending on the type of credit provided. The most important database is the Central Credit Register (Centrale Rischi), an informative system based on data and information related to clients' indebtedness.
- There are two debt relief schemes in Italy: amicable and judicial.

3 Italian credit market structure overview

3.1 Credit providers diversity



The main Italian credit providers are:

- Banks and cooperative banks;
- Financial intermediaries under the Law 197/91 and enrolled in a specific database;
- Microcredit providers ruled under the Banking Law;
- Shops and intermediaries linked to banks and financial operators promoting the sale of goods and services.

Following Banca d'Italia guidelines, the banks are subdivided into different groups according to their assets. Specifically, there are five sizes¹²:

- Major banks: banks with total assets exceeding 60 billion EUR;

¹² Source: Ministry of Employment Social Development and ABI – Italian Banking Association, Quaderno della Ricerca Sociale N°14, “Politiche pubbliche e private per l’erogazione di servizi di microfinanza”

- Large-sized banks: banks with total assets ranging from 26 and 60 billion EUR;
- Medium-sized banks: banks with total assets ranging from 9 to 26 billion EUR;
- Small-sized banks: banks with total assets ranging from 1.3 and 9 billion EUR;
- Minor banks: banks with total assets inferior to 1.3 billion EUR

With particular regard to the microcredit sector, in 2011, 712 Italian financial operators¹³ have been mapped:

- 31,46% are banks;
- 55.76% are guarantee funds providers (Confidi),
- 2.95% are public entities,
- 1,12% are non-banking actors,
- 8,71% are associations and not-for-profit foundations.

In Italy, depending on the target group, there are special agreements between trade associations or NGOs and banks. The risk of not having collateral is mitigated by a guarantee consortium or a guarantee fund. So, the cost factors are mitigated by co-operation with business support services, such as Chambers of Commerce or an ethical finance cooperative and, by private and public support mechanisms such as guarantee schemes. This is exactly the case of the Italian APIC project.

Regarding the specific figures of the sector, in Italy, we mainly refer to an in-depth study carried out in December 2012 by Fondazione Giordano dell'Amore, in the framework of a larger research promoted by the European Microfinance Network on the microfinance sector in Europe.

According to this study, from 2006 to 2010, the sector has grown from 331 credits to 2.202 credits provided per year. By the end of 2010, the number of active clients was 3,964 for a gross outstanding loan portfolio equal to 21,638,000 EUR.

Below, in details, the evolution of credits provided by specialized microcredit providers per year in the period 2006-2010:

¹³ Source: Ministry of Employment Social Development and ABI – Italian Banking Association, Quaderno della Ricerca Sociale No. 14, “Politiche pubbliche e private per l’erogazione di servizi di microfinanza”

	2006	2007	2008	2009	2010
No. of institutions	27	27	32	32	30
No. of credits provided	331	392	1.337	1.835	2.202
Total amount of credits provided	2,486,000	3,634,000	10,292,713	10,961,463	11,226,055
No. of active credits	-	-	1.389	2.146	3.964
Total portfolio	-	-	8.426.932	12.738.427	21.638.599

It must be said that, the above-mentioned research did not take into consideration all the small and diversified microcredit projects present in the country. Moreover, the microcredit sector in Italy has strongly grown since 2010, so to have a more realistic sector overview, we can therefore assume that the 2010 figures must be increased by at least 50%.

So, current estimated figures as of September 2012 are as follow:

- ✗ Total amount of credits provided: 16.839.082
- ✗ No. of credits provided: 3.303
- ✗ No. of active credits: 5.946
- ✗ Total portfolio: 32.457.898

3.2 Deprived consumers: purchase resources for low-income consumers

According to a recent national survey conducted by Eurispes (an important Italian research institute), a growing number of Italian households are facing huge financial problems in satisfying their essential needs: 2.585.00 households (11,1% of the residents households) live in poverty conditions and of these, the majority is located in the south (69.8%). 1 out of 4 Italians asks for personal credits to satisfy his/her basic needs.

The demand for credits during the 2002-2011 period has increased of almost 100%. Job losses or unplanned expenses due to emergency situations are the major causes of financial constraints negatively affecting the fragile financial and economic management of certain Italian households.

Italian low-income people face unexpected expenditures mainly through:

- Access to credits, often provided by commercial financial providers (finanziarie) at high interest rates and without an appropriate monitoring and demand analysis;
- Access to microcredits;
- Access to special credits (prestiti d'onore) that pursue the objective to encourage start-ups or development of entrepreneurial activities. In this context, public entities are playing an important role by addressing these funding instruments also to individual people and vulnerable households;
- Family support: according to a recent national survey conducted by Banca d'Italia 22% of Italian families do not have sufficient revenues to live decently. For these people, family support is the only instrument available, particularly for young people facing unemployment and lack of economic opportunities. Spring 2009, 480.000 families provided financial support to at least one youngster who lost his/her job in the previous 12 months.
- Working in the black economy (unofficial revenues);
- Regarding savings, there is a general tendency confirming the growing difficulty of low-income communities to accumulate deposits for a long period of time.

3.3 Existing credit available to/used by low-income people

3.3.1 Specific dynamics of the low-income market

As mentioned before, low-income people represent a risky category of clients for the traditional banking sector. This category of people is mostly targeted by consumer credit providers, financial intermediaries and other operators that often use inappropriate products and credit schemes.

In this context, a decisive role is played by institutions that, using different methodologies and approaches, attempt to reach people excluded from the traditional credit circuit.

These people can often access adapted repayment schemes, designed alongside the microcredit models and taking into account the effective clients' repayment capacity.

3.3.2 Bad practices / toxic products which create a high level of use difficulties

Toxic practices in credit provision often generate overindebtedness problems in low-income communities. These toxic practices are mostly related to low transparency in the contract information to clients with particular concern to interest rate and amount of commissions. Toxic practices are mostly registered in the case of credits provided by financial intermediaries that are more commercial and using an aggressive marketing behaviour. Overindebtedness is often linked to the wide diffusion of consumer credits and to a general "negative" attitude of low-income people towards credits. Indeed, more and more credits are not used as exceptional measures to satisfy specific long-term needs and projects but often rather used as payment modality to purchase unnecessary goods for immediate usage.

However, it must be underlined that this category of credits, if well managed, can be important and useful for certain purposes.

3.4 Credit and saving culture / practices / data

3.4.1 Savings

Regarding savings behaviour of Italian households, according to a national survey conducted in 2009 by Banca d'Italia, that year, the total accumulated savings amount strongly decreased (-8,7%) if compared with the same data in the previous year. Particularly, households having a 35 years old head of the family and those showing a very low level of revenues have registered a strong decrease of the concrete capacity to accumulate savings. In 2010, low-income people showed a deposit rate equal to zero as during the recession period 1992-1993.

3.4.2 Credits

Personal credit for low-income communities is available in Italy through different sources.

One of the major players providing personal credits are the Mutue di Auto Gestione (MAG). They have a particular structure and share the model of cooperative organization with a strong social inspiration, also determined by a critical stance towards the traditional banking system. Their radical choices and past experiences

led in 1999 to the emergence of the bank Banca Popolare Etica, the first Italian bank with an ethical orientation. There are 5 MAGs currently existing in Italy and they mostly operate in the North of Italy.

In the last years, various public agencies have focused on microcredit as an effective active policy labour instrument, developing interesting synergies with credit institutions and stakeholders. This is, for example, the case in Tuscany of Dipartimento delle Pari Opportunità of Tuscany Region, which promoted the establishment of a network of institutes, to respond to the demands of individuals facing economic-financial difficulties. The Dipartimento, which does not grant credits directly, plays an important role in supporting vulnerable individuals in dealing with the cumbersome and difficult proceedings required to apply for a loan from a traditional credit institute.

Regarding the use of personal credits, they are mostly addressed to satisfy consumption needs but also to face major expenses like to purchase a house or cope with an unexpected expenditure.

To this regard, according to a national survey¹⁴ carried out by Banca d'Italia in 2010, only one out of 10 Italian households contracted a loan to buy a house. This data is very low if compared to the same in other European countries where the percentage of households receiving housing loans reaches 30-50%.

3.5 Impact of loan interest rate on credit supply in low-income communities

In Italy, low-income people can have access to credit at different costs depending on the financial provider they deal with.

If we refer to microcredit providers or to specific initiatives promoting financial inclusion for poor communities, the interest rate charged on loans is often quite low. Indeed, there is a debate regarding the opportunity of a such low interest rate (2-5%) that inevitably affects the sustainability of financial providers.

The debate is actually focusing on the concept of a sustainable interest rate for microcredit providers, that should allow microcredit providers to cover their operational costs.

¹⁴ Banca d'Italia, Anna maria Tarantola, Vice Direttore Generale della Banca d'Italia, "Le famiglie italiane nella crisi", Genova, Aprile 2012

On the other hand, as it has been mentioned above, there are credit providers for low-income communities giving loans at very high interest rates and are often promoting non transparent and incorrect credit practices.

More in details¹⁵:

- For credits charging variable rates, the interest rate cap is fixed at 5,085%;
- For credits with fixed interest rate the cap is at 6.69%;
- For credits under 5.000 EUR to be paid in different instalments, the interest rate is fixed at 24% ;
- For credits under 5.000 EUR addressed to entrepreneurs, the cap is 21,65%;
- For credits provided through a fifth part of the salary as guarantee, the maximum applicable interest rate is 18.87%.

The interest rate caps also take into account other fees and commissions charged on clients. By doing that, the legislator wants to fight the practice of charging other hidden costs different from the interest rate.

A new policy is also taking into account other costs related to credits provision:

- Costs for insurance contracts;
- Remuneration of mediators;
- Other sources of revenue different from the interest rate.

3. 6 Responsible credit practices illustrations based on legal history

Responsible credit practices are all those practices that follow the law 141/2010, regarding transparency and correctness principles in the financial relationship between clients and consumer credits providers.

The law n°141 (13/08/2010) is in line with the European Directive n°48/2008, promoting transparency and correctness in the financial relationship between credit providers and clients.

The Italian legal framework imposes that:

1. The contractual conditions are clearly written;
2. The credit promotion is “responsible” and adequate to clients’ needs;

¹⁵ Banca d’Italia

3. Copy of the credit contract has to be handed in to the counterpart to assign incontestability and protect the contract weaker part.

3.7 National research

In 2010, Banca d'Italia released a research showing that, in the 2008-2010 period, the number of indebted Italian households has decreased from 24% to 21%. This trend is justified not only for the lower credit demands from families but also for stricter selection criteria used by financial providers to evaluate credit applications.

As consequence, banks denied loans demands (in particular those requesting housing credits) to a big part of Italian households.

The research also showed that, differently from the past, 25% of the most vulnerable families' consumption purposes were satisfied through consumer credits (the majority of consumer credit clients are old people, poor households and families with a low educational level). Moreover, a strong development of credits without specific purposes were provided.

3.8 Final conclusions

- The main Italian credit providers are banks and cooperative banks, financial intermediaries under the Law 197/91 and enrolled in a specific database, microcredit providers ruled under the Banking Law, shops and intermediaries linked to banks and financial operators promoting the sale of goods and services.
- In 2011, with particular regard to the microcredit sector, 712 Italian financial operators have been mapped: 31,46% is represented by banks; 55.76% by guarantee funds providers (Confidi), 2.95% by public entities, 1,12% by non-banking actors, 8,71% by associations and not for profit foundations
- So that the estimated figures at September 2012 are as follows:
 - Total amount of credits provided: 16.839.082
 - No. of credits provided: 3.303
 - No. of active credits: 5.946
 - Total portfolio: 32.457.898

- Italian low-income people face unexpected expenditures mainly through: access to credits; access to microcredits; access to special credits (prestiti d'onore), family support, working in the black economy (unofficial revenues) and savings.

4 Other external relevant elements that impact the CAPIC project or APIC activities

- *Political / academic / other support*

The traditional banking world is becoming aware about microfinance, although concrete actions to foster the movement are still limited. In this context, cooperative credit banks appear better placed than other institutions since they have a local vocation and institutional mission. Public bodies are also progressively showing a strong interest in this sector, but still in a limited way.

The microfinance sector is thus still fragmented, with some very dynamic, institutions which are aiming at strong growth and long-term sustainability.

- *Knowledge and data, documentation* (research release,...) about issues related to credit access and use, APIC, etc.

Main research promoters on financial exclusion and microfinance in Italy are: Fondazione Giordano dell'Amore, the Italian Network of microcredit Providers (RITMI), Istituto Borgomeo CESPI, European Microfinance Network, Eurispes, Banca d'Italia and the Ministry of Employment and Social Affairs.

No research has lead to support the APIC activities, the APIC project exists thanks to the strong commitment of the partners to give a long-term response to local needs coming from vulnerable communities in Pistoia.

- *Existing guarantee fund organizations, National foundations, the role of national and/or local government* in providing loan guarantee funds to support lending (in low-income communities)

In Italy, there is a nationwide mutual guarantee scheme for the craft sector as well as industrial and commercial microenterprises, CONFIDI¹⁶.

¹⁶ There are five major federations of CONFIDI each serving a distinct sphere of business: industry, the small-scale industry, the craft industry, trade, services and tourism.

The CONFIDI system includes 680 private companies (each with its own legal and administrative autonomy) with almost 1.000.000 entrepreneurs as members.

The “CONFIDI” does not only grant guarantees to SMEs, but they also have increasingly conducted consulting activities and delivered financial services to their affiliates. Each credit assessment is made by a local CONFIDI.

When a CONFIDI credit assessment is positive, the loan application is transmitted to the bank with a CONFIDI financial deposit of 50% ¹⁷ of the loan amount. In this 50%, there is a mix of some 10% coming from the members’ fees paid to the CONFIDI and 40% coming from the public (often regional) budget.

In the framework of a specific agreement (“convenzione”) negotiated by each CONFIDI and each bank (establishing the amount of operations, type of financial product, interest rate and other terms and conditions), the bank will apply a more favourable interest rate to the loan corresponding to a lower default risk of an application directed by a CONFIDI.

- *Other official facilitating structures, funds, national/regional/local involvement by authorities, companies*

Local administrations are more and more involved in promoting guarantee schemes, to facilitate credit access for low-income people: in Italy, there are public institutions that have set-up guarantee funds covering up to 100% of the credit risk.

5 APC integration in the local environment

5.1 The dissemination plan

The project is well known at provincial and regional level. Particularly, public and private institutions working on social and economic issues are aware of the microcredit initiative in Pistoia.

The project starts to be known also at national level, particularly by specialized actors operating in microcredit related issues. As it has already been mentioned, one of the project's weak point is the promotion and information activity.

¹⁷ The remaining 50% is covered by collaterals provided by the micro-entrepreneur, generally a real estate mortgage.

To this regard, by improving the quality of the information on project activities, the initiative wants to reach a larger public and to become, in the next three years, one of the best structured microcredit initiatives in Italy.

5.2 The CAPIC origin of the demand

- Vulnerable people who face ordinary or extraordinary financial constraints (un-bankable) and are unable to satisfy their basic needs;
- Micro enterprises facing difficulties in accessing the traditional financial system but promoters of good economic ideas;
- Not-for-profit organizations

5.3 Links with the other financial inclusion initiatives

In the Pistoia province, the APIC initiative is the only project focusing on affordable personal credits for poor people. However, at a regional level, there are other small microcredit / financial inclusion initiatives similar to the APIC project and promoted by a diversified range of public, private, not-for-profit and for-profit actors. Very often indeed, as for the initiative in Pistoia, microcredits are provided through partnerships involving many actors and church associations.

5.4 Actions implemented to detect credit applications and promote the project

The APIC initiative involves also the Pistoia Province (public administration), that provides a guarantee fund aimed at facilitating credit access for people directly indicated by the provincial social affairs office. Therefore, the public staff working at the social affairs office is somehow involved in the project.

5.5 Project Promotion

The project is promoted through brochures and sometimes by ads on the radio and the television. The promotion is only at local level and it is mostly based on “word-of-mouth” advertising.

The coordination of promotion activities are delegated to volunteers operating in the outreach offices. The promoters of the initiative are also involved in this activity at an institutional level.

PART 2 NATIONAL CAPIC PROJECT

6 Description

6.1 CAPIC direct environment / CAPIC size

In Tuscany, the APIC initiative is one among other microcredit initiatives.

The Tuscan territory is strongly characterized by the presence of the Miisericordia, a social support network, spread out in all the Italian territory with a 750-year history. Linked to the church, this volunteer association has antennas all over Italy today, with around 150.000 volunteers working to assist the disadvantaged and the needy.

Moreover in Italy, businesses have joined together to form Mutual Guarantee Societies, in which they pool their savings to attain better interest rates and improved services on their bank deposits. This also allows them to get cheaper access to loan finance from banks, in part by using the deposits as guarantees. This mechanism is more than 50 years old.

The public sector often supports these societies at a regional level, by increasing the guarantee amount or covering part of any defaults.

The Mutue di Autogestione (MAG) are financial co-operatives created almost 25 years ago, mainly in the North of Italy. They support co-operatives, associations and also the self-employed with small loans. They integrate values of ethical finance: respect for the environment, social concerns and a strong democratic participation.

Bank Etica lends to social and economic projects, which aim to create social, environmental and cultural value. It supports programs for economic development, disadvantaged areas and for underprivileged people. Bank Etica, in partnership with local authorities, operates the Trust Loan. The fund was established by local authorities to satisfy minimal financial needs of disadvantaged individuals, who face social difficulties. This grant from public authorities requires no interest to be paid by the recipients. The bank is responsible for the technical management of the loan.

Looking at the Tuscan context, one project similar to the APIC initiative is “microcredit for solidarity”, a joint initiative started in 2003 in the province of Siena, promoted by the bank Monte dei Paschi di Siena in partnership with the Foundation Monte dei Paschi and the local Misericordia. The project is addressed to people not eligible for ordinary credit, such as families with low income. As for the initiative in

Pistoia, the project in Siena assigns an important role to a network of volunteers that are responsible to assist the beneficiaries. The volunteers also carry out a first evaluation of financing request and submit them to the Central Credit Commission.

The project in Siena focuses particularly on the volunteers' capacity building activities: they are professionally prepared and assist financed subjects through a tutoring activity.

Regarding the loan characteristics, the initiative in Siena provides credits for a maximum amount: €7.500 redeemable in 60 monthly instalments. The charged interest rate is the ABI Prime Rate in force at the time of the grant but reduced of 0,5%. Apart from the interest rate, clients are not charged with further charges or fees on financing.

6.2 Description

A full description of the services (credit) offered:

- **Type of loans**

To individuals

- **Purpose**

The project has the objective to financially support vulnerable people, excluded from the traditional banking system, helping them to overcome socio-economic problems, through the provision of affordable personal credits.

More in details the project aims at:

- ✗ Helping economically disadvantaged households to solve social problems and overcome temporary crunches (expenses for health, education, purchase of work materials, rent fees, overindebtedness, etc.);
- ✗ Establishing and developing local micro enterprises;
- ✗ Developing local initiatives with social impact.
- **Amounts**
- ✗ Credits provided to individuals: minimum amount 1.000 EUR - maximum amount 7.000 EUR

- ✗ Credits to institutions, enterprises, associations: minimum amount 5.000 EUR – maximum amount 25.000 EUR

- **Interest rate (annual percentage rate)**

The applied interest rate is calculated on declining balance basis and it is fixed at the IRS rate + 0,50% (currently in 2012 between 2% and 3%)

- **Fees**

No fees or commissions on financing.

- **Access conditions**

Clients, residents in the territory of Pistoia province, must show a real capacity to generate an income (even if irregular) sufficient to pay back a given loan. Additionally, clients must show a good attitude and morality. During the credit evaluation process, the purpose of the microcredit request is also strongly considered.

- **Requirements to complete a credit application**

The credit decision takes into account financial and social aspects. Particularly, applicants must:

- ✗ Show capacity to generate sufficient revenues to reimburse a credit;
- ✗ Prove real financial needs;
- ✗ Be trustworthy.

As far as the documents and data requested to complete a credit application, they are all the essential documents proving the capacity to generate revenues.

- **Treatment process of the application**

1. Contact and interviews at the Outreach Offices;
2. Credit demands having received a first positive evaluation by the Outreach Office are sent to the Bank chosen by the potential client in their credit application;

They are then jointly evaluated by the Evaluation Committee composed by:

- ✗ The volunteers working at the outreach offices;
- ✗ One representative of the bank selected by the applicant;
- ✗ Three representatives of the guarantors.

When a credit demand comes from the provincial social services, one representative of the provincial administration participates in the Evaluation Committee.

3. The interested person is informed on the final decision;
4. Banks provide and follow the approved microcredits.

- **Credit risk analysis**

The project does not have a common credit risk analysis procedure. As a consequence, each bank involved in the project applies its own criteria during the evaluation of the microcredit demands. This is one of the project's critical point affecting the global good management.

Generally speaking, the criteria used to evaluate the credit risk in the project are different from those normally used in the traditional banking system because they take into account the following main elements:

- The particular beneficiary condition;
- The declared social mission of the project;
- The credit demand evaluation previously done at the outreach offices level.

Finally, credit risk analysis does not take into account those elements that normally hamper the credit provision such as credits non reimbursed to other financial institutions and the presence of slight prejudicial events.

- **Use of credit reference agencies**

Each bank involved in the project refers to its credit reference agencies.

- **Social purpose validation:** yes

- **Impact for the borrower in term of sustainability for his/her budget**

In the evaluation of the credit demands, it is crucial to firstly evaluate the sustainability of the financial demands, on the basis of their final purposes. An additional important basic requirement is the effective capacity of the client to properly manage his personal budget.

- **Relevancy of what is funded**

The relevancy of what is funded is central for the APIC initiative: a particular attention is given to the evaluation of the purpose moving the credit request. The credit request must be based on a real and justified personal need.

- **Details on credit decision process and credit provision**

1. Microcredit applications are processed at the outreach offices' level through a social and financial analysis;
2. Volunteers working at the outreach offices provide technical assistance and advisory services to potential beneficiaries;
3. Potential beneficiaries indicate the preferred bank among the 7 financial institutions involved in the project;

4. Credit demands having received a first positive evaluation are sent to the preferred bank for additional technical evaluation;
5. Credits are provided through the network of project bank partners.
- **Credit contract provision and signature**
- **Financial follow-up**

Before credits are provided, there are frequent contacts between outreach offices and potential microcredit beneficiaries. During this “informative relationship”, volunteers at the outreach offices give information and advice to requesters on personal budget management, micro enterprise management, etc.

In the post-provision credit, the financial follow-up is the same the banks normally use for their “traditional” clients (unfortunately, there is not a specific financial follow-up for microcredits). This point, together with the social follow-up in the post credit provision, represents one of the weak point of the initiative.

- **Social follow-up**

An informal social follow-up of clients takes place during the credit evaluation process (before credit provision): it is provided during the frequent interviews and personal contacts between volunteers and beneficiaries at the outreach offices.

In the post credits provision, there is no social follow-up activity (one of the main weak points of the project).

- **Arrears and/or debt collection procedures**

The project shows around 7% of credits in arrears (delay in repayments ranging from three to twelve months).

6.3 Workflow diagram

- Not-for-profit organizations :
 - ✗ Provision of guarantee funds to facilitate the provision of microcredits (Foundation Un Raggio di Luce, Misericordia)
 - ✗ Human resources contributed on a volunteer basis to the project implementation
- For-profit organization (Foundation Cassa di Risparmio di Pistoia e Pescia): provision of a legal guarantee;
- Credit cooperative banks: assume 50% of credit risk, provision and following of microcredits;

- Bank of Pistoia (Cassa di Risparmio di Pistoia e della Lucchesia): assumes 50% of the credit risk, provision and following of microcredits;
- Public administration (Province of Pistoia): provision of legal guarantee for credits approved for beneficiaries identified by the provincial social service department;
- 4 Outreach offices (information points) are in place and represent the first contact points with the potential beneficiaries where microcredit applications are analyzed, interviews are carried out and microcredit demands are collected and transferred to the Evaluation Committee;
- An Evaluation Committee (EC) that decides whether the microcredit demands are funded or not.

Beneficiaries are identified in the promotion phase of the project and at the outreach offices while information on microcredits are provided to interested people.

The project has in place a guarantee fund (worth 1.060.000 EUR). This legal guarantee is provided by 2 not-for-profit organizations, 1 for-profit organization and the provincial administration with the scope to facilitate the provision of microcredits to the target public.

Concerning the credit portfolio monitoring, this activity is managed directly by the banks. The volunteers at the outreach offices also contribute to track the microcredit portfolio evolution. Financial data on portfolio performance are also shared with the guarantors every three months.

7 Procedure timeline illustration (average)

- Microcredit applications are processed at the outreach offices' level through a social and financial analysis (1 week – 1 month depending on the necessity of examining the credit demands);
- Volunteers working at the outreach offices provide technical assistance and advisory services to potential beneficiaries (1 week – 1 month);
- Potential beneficiaries indicate the preferred bank among the 7 financial institutions involved in the project;

- Credit demands having received a first positive evaluation are sent to the preferred bank for additional technical evaluation (15 days);
- Credits are provided through the network of banks partners of the project (at best after a month from the first contact).

8 Outputs, performance and reporting

Since the origin, the project did not have specific fixed objectives in terms of number of beneficiaries, financial and social performance, products development, etc. The initiative started with a very strong social mission around which, different local partners were gathered.

Currently, the main objectives pursued by the project are:

- To recuperate the credits in arrears cumulated in the last years;
- To increase the number of credits provided to low-income people;
- To increase the global portfolio quality.

8.1 Outputs (quantitative data)- per year, for the last 3 years (or less if the project is younger)

The figures showed below are referred to the total amounts since the beginning of the project in March 2009.

a. Number of 1st contacts	550
b. Number of interviews	666
c. Number of completed files	295
d. Number of abandons (per steps.)	
e. Number of positive/negative/other decisions	<ul style="list-style-type: none"> • 216 positive decisions • 79 negative decisions
f. Number of signed contracts (+ total amount, average and median)	216 signed contracts, 986.200 EUR as total amount disbursed, 4.500 EUR average credit.
g. Number of loans delivered (+ total amount, average and median)	216
h. Number of contracts with a minimum of 3 months arrears (+total amount)	37 contracts in arrears for a total amount of 19.751 EUR

i. Number of contracts with “amicable” debt collection procedures (+total amount)	Few cases
j. Number of contracts with “non amicable” debt collection procedures (+total amount)	1
k. Number of repaid loans (and amounts related).	

8.2 Social results

To assess project’s social impact, particular attention is given to the relationship existing between credit amount disbursed and amount effectively reimbursed. This analysis is based on the assumption that, if the credit is paid back, it means that it effectively fits the clients’ needs and it is properly designed.

Additionally, to evaluate the social impact of disbursed microcredits, the project also looked at the relationship between the project and the banks taking part in the initiative: thanks to an efficient information transfer on savings, movements between outreach offices and banks, the project can easily track the general savings behaviour of microcredit beneficiaries, and deduct some useful information in terms of social impact.

8.3 APIC project contribution to financial inclusion in the mainstream sector

The APIC beneficiaries are often supported in “equilibrating” their socio-economic condition. By providing adapted microcredits, beneficiaries have the opportunity to become more financially included and successively to also have access to credits also provided by traditional banks.

In addition, the APIC initiative increases financial inclusion of poor people by orienting vulnerable people on how to better manage family expenses, and how to make proper economic projections. Positive effects are also registered in terms of increased self-esteem of vulnerable people and achieved personal objectives.

8.4 Indicators to measure the impact on improved dignity

Only indirectly can we assume there is an improvement of living conditions of vulnerable people allowing them to reach a higher level of dignity.

8.5 APIC beneficiaries

The project focuses exclusively on poor and vulnerable beneficiaries that show a real willingness to improve their conditions. The majority of the beneficiaries show irregular and low incomes (under 1.000 EUR).

8.6 General reporting

A minimal reporting is done, just at internal level. It consists in tracking the main data related to credits and clients in a central database.

8.7 Added value of the project

The strong presence of diversified partners with different structures and social missions but following the same common objective.

8.8 Project dissemination on large scale

Today, the project works at a provincial level and microcredits are provided to people living/residents in the provincial territory.

The Pistoia province includes 22 municipalities extended in a geographical area of 965 square kilometres with a total number of inhabitants equal to 292.478. An extension of the project beyond the provincial borders would be possible thanks to the current partnership structure, which is flexible and open.

It must be said that Italy is a country characterized by a strong presence of diversified public and private actors operating in the social economy sector. These actors, operating at regional and national level are generally in line with the APIC mission and purposes.

Consequently, by implementing a specific development strategy, the APIC initiative has the ambition to diffuse personal microcredits in new geographical areas also through the establishment and the implementation of new strategic partnerships with

other local actors. It is easy to imagine a scenario, in which the project is replicated at a larger scale. Indeed, the project addresses specific socio-economic problems, which are common issues to other Italian local contexts.

8.9 The long-term development strategy

As stated before, the project focuses its activities in the Pistoia province. However, microcredits are currently provided in only 4 municipalities. So further efforts must be done to extend the activities in new areas.

A first step to reach this expansion objective consists in putting in place a more efficient communication and promotion strategy.

In order to support the definition of an appropriate development strategy in June 2011 an assessment of the project was conducted.

The assessment highlighted the following operational weaknesses:

- Poor management procedures;
- Weak monitoring system and lack of impact studies;
- Weak microcredit monitoring;
- Insufficient promotion and communication activities;
- Insufficient geographical coverage of the outreach offices;
- Poor development of microcredit for micro enterprises (weak outreach to micro entrepreneurs);
- Lack of strategic partners to attract micro enterprises applicants.

Following the assessment, the project long-term development strategy includes the following activities:

- Elaboration and use of an adapted monitoring system;
- Inclusion of new operational partners in order to develop microcredits for economic purposes;
- Elaboration of an adapted communication plan;
- Integration of the initiative with other coherent initiatives in Pistoia.

8.10 The partners' role in the project extension

Thanks to:

- The integrated approach of the project that values each specific contribution from partners within the network;
- The “open” structure of the partnership allowing an easy inclusion of new actors sharing same objectives and mission;

- The real knowledge of local problems and needs;
- The real capacity to mobilize new volunteers and representatives from the civil society organizations.

9 Some financial information

9.1 Volunteers involved

The volunteers involved in the project are not paid. They are mainly people coming from not-for-profit institutions and with a professional background on traditional banking.

9.2 The funds used for the loans made

Credit ceiling: 2.000.000 EUR (coming from the 7 financial institutions partners of the project)

9.3 The guarantee funds or mechanism

Legal guarantee (1.060.000 EUR worth) provided by 2 not-for-profit organizations, 1 for profit organization and the provincial administration.

9.4 The outputs (on-going loans, loan losses (bad debt), all the costs...)

Insolvency rate: 7% (calculated on loans in judicial proceedings or with more than 6 installations not paid in relation to total loans)

PART 3 NATIONAL CAPIC PROJECT ACTIVITIES ANALYSIS

10 Fondazione Un Raggio di Lucce

10.1 Description

10.1.1 Legal entity status or by-laws

Foundation.

10.1.2 Business Model

Not-for-profit.

10.1.3 Link between pre-existing activities and APIC activities

Un Raggio di Luce Foundation is an Italian not-for-profit organization pursuing social purposes and operating in Italy and in three developing countries (in Africa and in South Asia). The Foundation was founded in the early 2004, and it carries out different activities in many parts of the world, through partnerships with various local actors sharing vision, values and activities.

One of the major areas of actions for the Foundation is microcredit / microfinance.

More in details, the Foundation operates in microfinance carrying out different initiatives, currently in progress in Italy, Nepal, Burkina Faso and Central African Republic. Microfinance activities are designed with the objective to fight poverty and social exclusion in particularly difficult areas and remote in developing countries as well as in Italy.

In Italy, the APIC project represents a strategic priority for the Foundation. Indeed, due to the growing interest to promote microcredit and ethical finance, the APIC project is at the centre of a bigger and more ambitious project, focusing on social lending. This new initiative is currently ongoing and aims at the creation of a new financial institution specialized in micro finance and social business, with fundings in Tuscany and also at national level.

10.1.4 The budget description

General institutional main financial data (in EUR) as of 31 December 2011 (since the beginning of the year).

With reference to the Income statement

- Total earnings (from donations): 136.866
- Total costs: - 1.264.901 (salaries of the personnel, social security for staff, depreciation of equipment and material assets, end of service pay out)
- Result of the year: - 1.458.963

The Foundation is not allowed to provide microcredits, then, it has no credit portfolio.

With reference to the Balance Sheet:

- Capital: 16.345.811
- Initial endowment: 2.000.000
- Funds for donations management: 15.804.000
- Result of the year: - 1.458.963
- Debts: 373.816
- Guarantee funds: 188.290

10.1.5 Human resources available

- 1 Chair person
- 1 director
- 1 Executive Secretary
- 1 General Secretary
- 1 Intern (communication)
- 1 Micro finance program manager
- 1 Africa Desk officer
- 1 Administrator
- 2 volunteers (microcredit)

The HR dedicated to the APIC activities are: 1 micro finance program manager, 1 director (part-time) and 2 volunteers (part time).

10.1.6 IT and other material necessary to support APIC activities

The Foundation does not have a specific IT infrastructure to support APIC activities.

Information and project data are gathered and treated in a database managed by volunteers working in outreach offices.

The outreach offices are equipped with computers and other essential electronic devices given by the funders of the project to carry-on daily activities.

10.1.7 Organisations' institutional position

The Foundation is one of the main microcredit actors involved in the Italian microcredit debate. The Foundation plays an important role in conducting micro finance initiatives in cooperation with other national and international partners.

Moreover, the Foundation actively participates in several thematic workshops, organized at local and national level on micro finance related issues, and is member of the advisory committee of RITMI, the Italian network of microcredit providers.

Until today, no impact study or analysis aimed at evaluating the impact of APIC microcredit activities has been carried out.

10.1.8 Conclusion: Key elements that make APIC possible

- Social commitment from a diversified range of partners
- Ties to the local territory and knowledge of the local specificities
- Real capacity to understand local needs and to translate them in products and services
- Availability of funds and capital allowing to provide microcredits

10.2 Organisations' experience/knowledge about APIC needs / practices

10.2.1 Lessons learned from the pre-existing activities carried out

- Importance of designing projects always fitting local requests and needs
- Importance of finding out committed partners
- Importance of always being updated on the main issues related to the intervention sector
- Necessity to share knowledge with the other parts involved in the project
- Importance to effectively promote and appropriately communicate project activities
- Importance of involving volunteer personnel combined with professionals

10.2.2 Elements that have played a role in the awareness of this issue

Sharing knowledge, building partnership, being linked to the territory, participating in debates on microcredit / financial exclusion issues, etc.

10.2.3 Key elements / reasons for organisations' participation to an APIC project

- Institutional commitment (financial inclusion and microcredit)
- Willingness to effectively promote financial inclusion of poor households
- Promote self-empowerment of vulnerable people
- Willingness to share specific knowledge and practices with other partners

10.2.4 Lessons learned from the APIC practices

- Importance of always linking activities to local needs
- Importance of setting up good governance processes when many partners are involved in an initiative
- Importance of selecting very motivated partners
- Importance of designing good products fitting clients' needs
- Importance of establishing an efficient communication / promotion system / campaign
- Necessity to undertake market studies in order to really understand local needs and incorporate them into products.

10.3 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ✗ Possibility to put a qualified professional contribution to develop microcredit initiatives ✗ Possibility to share microcredit experiences and practices matured also in developing countries ✗ Availability of specialized personnel sharing specific knowledge of microcredit sector ✗ Alignment of the Foundation's social mission with the project's purposes 	<ul style="list-style-type: none"> ✗ Difficulty in ensuring good governance processes with a so wide number of partners involved ✗ Volunteers involved in the project are not specialized in microfinance
Opportunities	Threats
<ul style="list-style-type: none"> ✗ The definition of a new national microcredit legislation that could help develop microcredit initiatives in the country ✗ The development of other initiatives related to microcredit can facilitate the creation of new strategic synergies ✗ The construction of new strategic partnerships at local and national level 	<ul style="list-style-type: none"> ✗ Undefined legislation framework or defined but adverse legislation framework blocking the development of the project ✗ Inclusion of new partners that are not really engaged in pursuing the global social mission (mission drift risk)

10.4 Complementary views

10.4.1 Progress remaining to be done

As reported above, the Foundation is very committed to promote and carry on the APIC initiative because of the alignment with its social mission and its institutional commitment towards microcredit in general. The Foundation is also working to

develop microcredit in Pistoia through other initiatives that are currently in a start-up phase. In particular, two initiatives are important for the potential relationship they have with the APIC project:

- The establishment of a new financial intermediary specialized in providing personal microcredits and funding social businesses;
- The development of a big project in Pistoia to promote social business issues within the local community, students, local entrepreneurs etc.

10.4.2 Cost and risk dispatching

The initiative could be developed by including new strategic partners. Particularly, private partners such as banks and other foundations or associations could offer a strategic support in enforcing clients' monitoring after the provision of credits. Additionally, a major participation of the Province of Pistoia and a new involvement of the local municipality could facilitate the achievement of new ambitious purposes, to promote financial and social inclusion of vulnerable communities.

Regarding the general costs, the current project structure allows to maintain the operational costs at a reasonable level, because of the high involvement of volunteers and the grant from the not-for-profit partners. Each part involved in the project contributes to cover part of the project's global costs. As long as new activities will be developed, the operational and financial contribution of new partners is fundamental.

10.4.3 To what extent can some costs / activities be outsourced?

As already mentioned, the social follow-up of microcredits beneficiaries is one of the main weak point of the project. If the project manages to get in touch with a local association charged to manage this very important activity, the relative cost could be outsourced.

This way, this fundamental service could be put in place in a more effective way.

11 Province of Pistoia

11.1 Description

11.1.1 Legal entity status or by-laws

Local public authority.

11.1.2 Business Model

Public.

11.1.3 Link between pre-existing activities and APIC activities

The pre-existing activities carried out by the Social Policies' Office of the Province were particularly related to social and work inclusion of disadvantaged citizens such as the main precondition (requirement) to credit and microcredit access. The activity included:

- One system action turned to implement local welfare systems with the synergistic involvement of all components of disadvantaged citizens' social network (family, friendship groups, business channels, third sector, local institutions) and aimed to integrate services (social services, work, health), programs and measures related to all the needs of disadvantaged citizens;
- Other actions promoting employment and good living conditions addressed directly to help disadvantaged citizens.

These classes aim to oppose the onset and / or consolidation of the adult welfare and marginality phenomena. To realise these aims the institutions involved have chosen to work together and to share content, methodologies and use of resources, with the aim to create - along with the citizens - an individualized project for social inclusion. Among the main achievements, one is to build paths to personal autonomy of individuals involved (e.g. search and retrieval of housing, management of household budgets, leaving illegal work to find permanent jobs or determined jobs but legal etc. ..) particularly facilitated by the social tutor and by economic support. Social tutors are employed to accompany the person involved in the project.

The path provided supports actions aimed at enhancing or activating residual capacity and skills of people involved. In the personal project social workers and citizens are involved, working closely with the job centre operators....

Another activity carried out before officially entering in the Microcredit Fund project was the Crisis Fund- Measure 3 directly managed by the Social Policy Office. This experience, with a budget of € 200.000, provided actions of economic support to families who are in the "gray zone", due to contingent situations of displacement and social and economic difficulties caused by the recent global economic crisis.

Financial support consisted of a maximum contribution of € 500 a month for maximum 3 months. The beneficiary families signed a social contract with the provincial administration that defined what expenses to do with the contribution and how to report.

The Provincial Administration appointed a special Commission which evaluated the application forms based on the documentation submitted. The list was compiled on the basis of scores related to the following aspects:

1. Children
2. Disabled person or non self-dependent,
3. Debt situation for utilities related to essential services (e.g., electricity, gas and natural gas, water waste fee, kindergarten tax, etc..)
4. Medical expenses
5. Expenses for education (school, secondary school, first degree and second-level)
6. Housing (rental contract duly registered)
7. Executive eviction from home
8. Arrears in mortgage payments
9. Victims of usury
10. People who have not having benefited contributions from social workers in the last 6 months.

There were 931 families who applied, a very high number compared to the population of the province. Thanks to the data provided in the applications and direct contact with families, the administration understood the problems and the basic needs of citizens of the Province of Pistoia.

This experience brought the need to implement different strategies to answer citizens' needs: it emerged that supporting microcredit system of Pistoia is a very important opportunity.

11.1.4 The budget description

The Province of Pistoia budget is mainly made up of public financing (around 1% for the social policies office in 2012).

The province of Pistoia has also provided the Fondazione Un Raggio di Luce 60.000€ as its share for the Guarantee Fund of the Microcredit Project.

11.1.5 Human resources available

In 2012 there are 367 permanent employees that work for the Province of which 7 are working in the social policy Office.

- One staff officer works as a member of the Evaluation Committee, for cases reported by the provincial administration.

Time taken for APIC: 5 hours a month.

- One official employee as a worker who carries out:
 - Preliminary interviews for the cases reported by the Province,
 - Sends to volunteers of Centro d'Ascolto,
 - Sets up the individual project and the social contract,
 - Involves the institutions and necessary services for the individual case
 - Does the monitoring .

time taken for APIC: 30 hours a month

11.1.6 IT and other material necessary to support APIC activities

No specific material or IT.

11.1.7 Organisations' institutional position

The province of Pistoia is a public entity that cannot provide credit directly to citizens and this is the reason why it participates in the Pistoia Microcredit and made funds available for the guarantee fund.

The institutional role that the province plays in the project is to inform citizens and solicit institutional partners, particularly municipalities, on the importance of microcredit as a tool to maintain social cohesion even for the weakest individuals with low income.

Granting microcredit to citizens leads to better take into account the peculiarities of a specific social situation: a need for financial education and money management appears.

The Province has prepared a special form that will be proposed to the microcredit group to be assessed and, if approved, be integrated in the system.

11.1.8 Conclusion: Key elements that make APIC possible

- Match the needs of the area
- Bottom-up experience
- Innovation tools that tackle the current economic crisis
- Strong involvement of the non-profit entities (Misericordia, Caritas and Fondazione)
- Strategies to more effectively reach low-income citizens

11.2 Organisation's knowledge about APIC needs

11.2.1 Lessons learned from the pre-existing activities carried out

The importance of building appropriate tools to respond to citizens' problems and in particular to build a network of different subjects with different know-how that can help the beneficiary citizen in a global way.

11.2.2 Elements that have played a role in the awareness of this issue

The project of social and labor inclusion of disadvantaged groups has been the experience that has allowed us to build a network of institutions (USL 3 and municipalities of the territory).

The fund anti-crisis measures 3 allowed us to investigate some conditions of vulnerability of people and identify some critical issues of the banking system (e.g. prevalence of revolving credit card between subjects with low income and consequent over-indebtedness).

11.2.3 Key elements / reasons for organisations' participation to an APIC project

To create innovative ways for citizens with low incomes and that, following the global economic crisis are even more underprivileged, to re-integrate into society.

11.3 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ✗ Opportunity to compare experiences with other micro-credit in Europe ✗ Making more cohesive relationships between the different actors in the local network ✗ Possibility to improve the microcredit Pistoia under new stimuli ✗ To involve volunteers in CAPIC and thus allow them to have a basic 	<ul style="list-style-type: none"> ✗ Difficulties to share a common language, even technical, given the nature of the various European projects involved ✗ Not being able to play the Province's role within a strong network of partners ✗ Volunteers are more experienced in "social practices" than microfinance
Opportunities	Threats
<ul style="list-style-type: none"> ✗ Ability to hear from other experiences in the CAPIC seminar in Tuscany ✗ Contribute to the debate on local and national levels 	<ul style="list-style-type: none"> ✗ The opening of the project to new partners might shift the mission of the same microcredit ✗ Difficulty to spread the information with other organizations and citizens, the project might remain open only to a very restricted geographical area

11.4 Complementary views

11.4.1 Progress remaining to be done

The Province of Pistoia, thanks to its institutional role and professionalism of its employees, may develop tools to monitor ex-post (e.g. social contract, implementation of a shared database that contains all the information folder and social and economic / finance on a single case). It may also solicit and involve the various actors in the territory to decide how to implement such monitoring and then figure out whether to use an external entity, or whether to build a "monitoring group" formed by operators of various professional institutions and / or different experiences not belonging to microcredit Pistoia.

The Province supports in the regional debate, the Fondazione Un Raggio Di Luce to create a new company specialized in the provision of microcredit and personal finance in social enterprises.

11.4.2 Cost and risk dispatching

The initiative to create a new credit reality is to give a new role to the current project partners, but also to new private entities, banks and other foundations or associations, which could make funds and new skills available (such as monitoring). In perspective, this would mean the project Pistoia could have a monitoring system. In relation to this objective, the Province of Pistoia could play an important role by providing some operators which can coordinate and create the relationships between the workers and volunteers who work on individual cases.

In fact, the project is based on the work of volunteers which perform the important task of selecting and orienting the cases that occur every day, thus keeping the costs very low for the project. However, they cannot follow the post phase since it represents a lot of work and they are not suitably trained in relation to microfinance. To truly realize the post-distribution monitoring, the project needs to use other more specialized staff and volunteers and thus the project will face the need to also finance these additional costs.

11.4.3 To what extent can some costs (activities) be outsourced?

One of the possible costs that can be outsourced is surely the post-delivery, but a trustworthy party must be clearly identified.

12 Cassa di Risparmio di Pistoia e della Lucchesia spa

12.1 Description

12.1.1 Legal entity status or by-laws

Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. is a limited liability company. It is a bank and is a member of the Intesa Sanpaolo banking group. The Group is one of the primary banking groups of the Euro zone with a market capitalization of 16.3 billion EUR. In Italy, the Group is number one in all sectors of activities with a network of approximately 5,600 branches.

12.1.2 Business Model

The business model is profit-oriented yet based on principles of integrity, transparency, equity, social responsibility and, furthermore, is respectful of individual specificities. In fact, the Group adopted years ago a “Code of Ethics” and currently drafts a “Social Annual Report”.

12.1.3 Link between pre-existing activities and APIC activities

Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. carries out traditional banking activities catering to businesses and families. The bank manages customers' savings, grant loans and also offers services, all while maintaining a strong bond with the territory in which it operates. The bank's network consists of 106 branches, most of which are located in the province of Pistoia, but it also operates through branches in the provinces of Lucca and Massa Carrara.

The microcredit activities are mainly developed in the province of Pistoia. They began from the necessity to support people facing great difficulties in accessing loans or families who had to bear deteriorating economic situations.

The project « Microcredito Pistoiese », active since about three years, enabled the organization to mature expertise in microfinance, offered the possibility of understanding the needs of the different people involved, focused on critical issues - as well as on the positive aspects of the endeavour - and gave the organization a keener perception of the growing expectations placed in this sector.

12.1.4 The budget description

In 2011, the operative profit of Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. amounted to 95.494 million EUR. Total loans to clients were 2.209 billion EUR and, on 31 December 2011, the “Microcredito Pistoiese” project had completed a total of 108 transactions since its launch, and had residual debts, of 337,794 EUR. The bank allocated a total of 660.000 EUR for the “Microcredito Pistoiese” transactions.

12.1.5 Human resources available

There are no human resources employed full-time for the microfinance activities. The bank has a reference person for the project. This person receives the requests from the Listening Centres operating in the province of Pistoia and channels them to the bank branches so that they can open a loan application. The reference person follows through the case, attends the Evaluation Committee meetings, keeps contacts

with the other banking partners and the public administrations that are involved with the project and attends the Microfinance Committee. These activities take up a total of about three working days per month.

12.1.6 IT and other material necessary to support APIC activities

The bank employs the existing goods and infrastructures of its traditional banking activities.

12.1.7 Organisation's institutional position

Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. has a strong bond with the territory in which it operates, particularly in the province of Pistoia, where it is considered the historical banking partner, the reference point for many people and the promoter of various initiatives. This reputation was achieved since it is the banking partner with the highest endowment both in terms of budget allocated to the project and in terms of number / request amounts and executed transactions. In total, these transactions account for about 50% of total grants.

12.1.8 Conclusion: Key elements that make APIC possible

- Interaction with numerous administrations to pursue access to credit;
- Existence of a network of volunteers;
- Availability of Listening Centres structures;
- Presence of a great number of banking branches in the territory which endorse the initiative;
- Availability of funds and guarantees.

12.2 Organisations' experience/knowledge about APIC needs / practices

12.2.1 Lessons learned from the pre-existing activities carried out

There were no pre-existing activities in the social microfinance sector.

12.2.2 Key elements / reasons for organisations' participation to an APIC project

Along the years, the bank grasped the necessity to fill the void around the needs of the people in temporary state of difficulty or at risk of financial exclusion due to the unfavourable social situations.

12.2.3 Key elements lessons learned from the APIC activities

- The endeavour can function well only if there is real cooperation between all the people involved;
- The process, from the application till the completion of the transaction, has to be particularly rapid;
- To achieve the completion of the transaction it is fundamental that Listening Centres carry out an accurate analysis of the case;
- A post-transaction follow-up of the activity needs to be implemented.

12.3 SWOT analysis

Among the strengths, it is important to outline the possibility of exploiting the benefits of the experience accumulated in the microfinance sector and of the sensibility achieved in this type of endeavour. In addition, the initiative has produced the capacity of organising / governing the processes. Weaknesses encountered are the lack of specific regulatory standards and the difficulty to manage the processes when interacting with numerous partners.

12.4 Complementary views

12.4.1 Progress remaining to be done

In Italy, there are other endeavours in the field of ethical finance. Some of these are carried out by bank partners belonging our Group. The “Microcredito Pistoiese” project, particularly in bordering territories, can be a stimulus for the development of similar endeavours.

The recent territorial reorganization of the Group can offer a favourable opportunity to examine prospects to extend the initiative to new areas (the provinces of Lucca and Massa Carrara), or, eventually, co-participate in similar initiatives.

12.4.2 Cost and risk dispatching

Based on our experience, it still seems difficult to give a reliable evaluation of the costs of the endeavour, especially because all participants contribute to develop the transaction and to the request evaluation. Therefore, in the present situation, the social microfinance organization is mainly dependent on initiatives set forth by banking partners and non-profit social organizations, close-knitted with the territory in which they operate.

12.4.3 To what extent can some costs (activities) be outsourced?

The post-financing follow-up activity represents the weak point of the endeavour and could be outsourced.