

FI Campus 2023

Delivering financial instruments for workers buyout: employees taking over their company

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Projects from the ground

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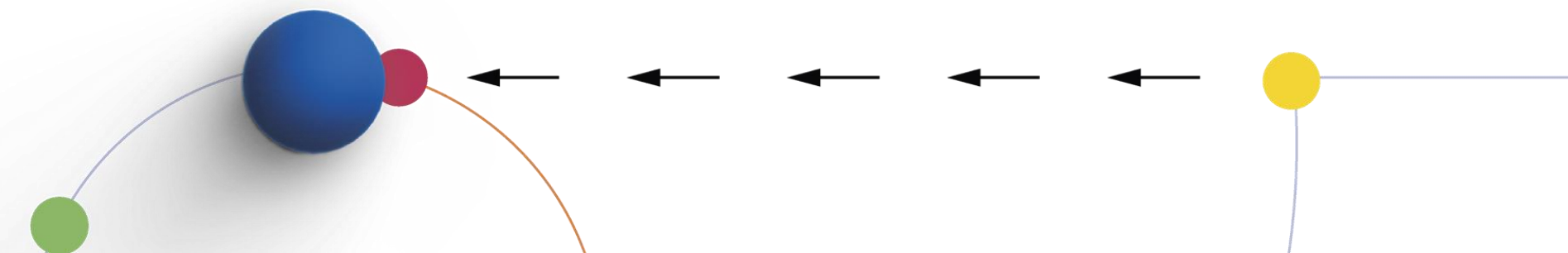
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<https://www.les-scop.coop/>



French worker cooperatives (SCOP)

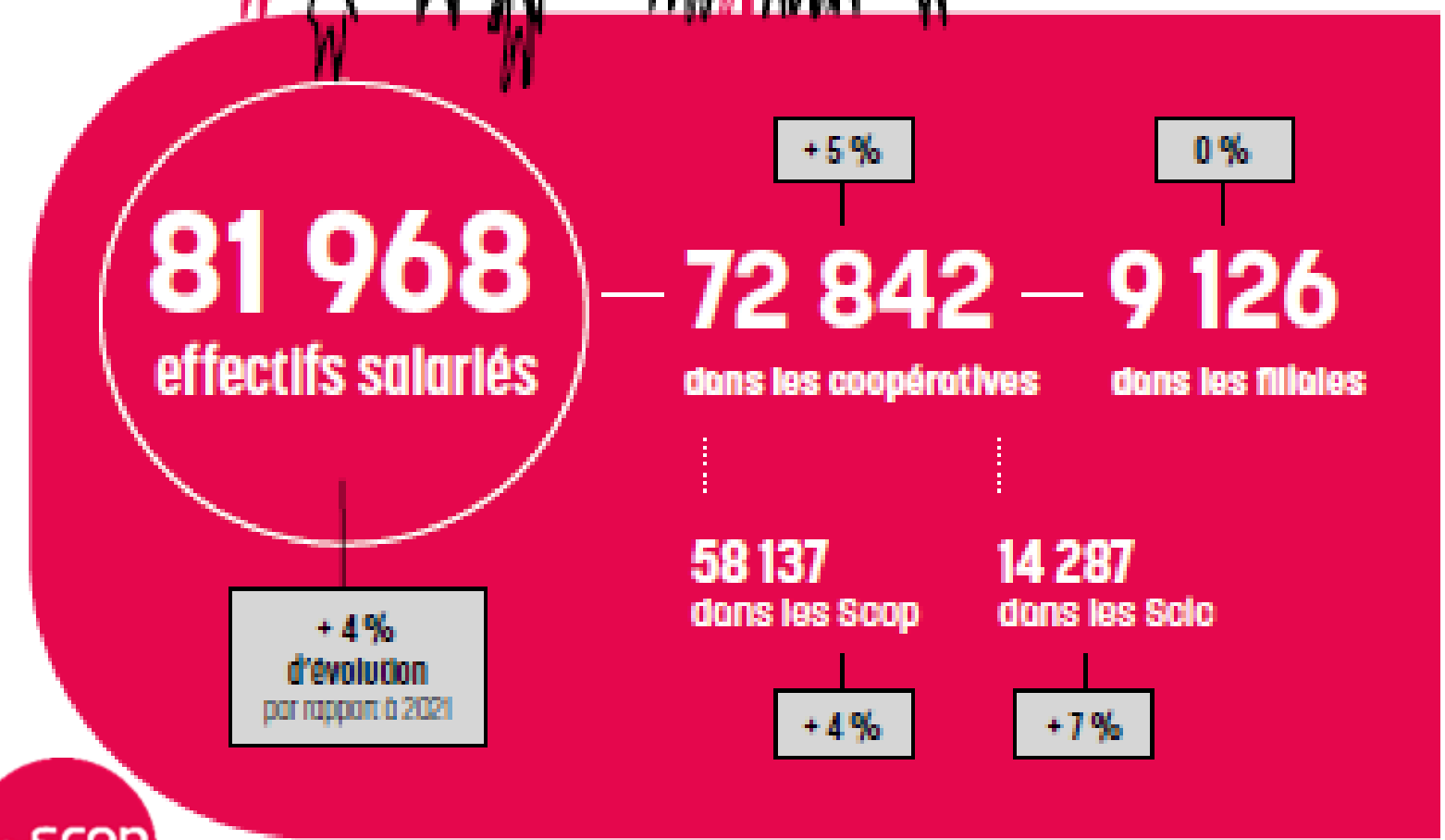
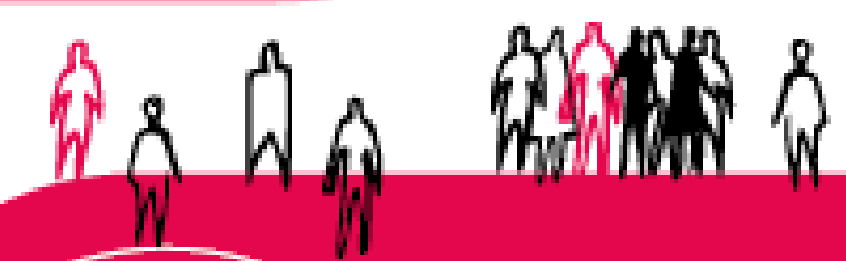
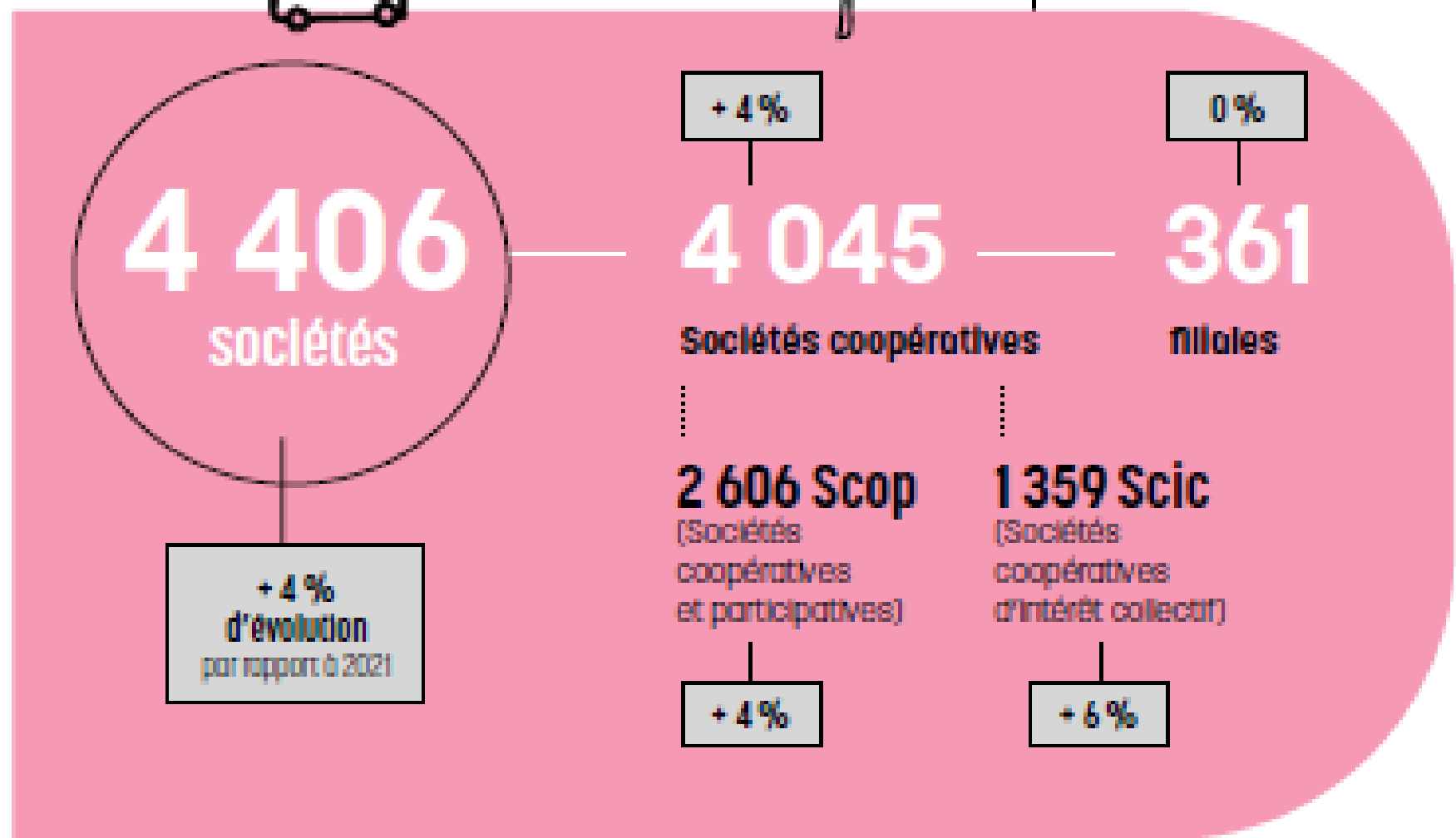
- *A business to last and empower employment & skills*
- *The employees hold the majority of the company's share capital,*
- *Democratic : "one person, one vote"*
- *Employees elect the management team, actively participate in decision-making,*
- *Share its profits - Collective property of wealth created (no capital gain)*
- *All sectors (industry, construction, services...)*



Key numbers (SCOP & SCIC)



Le Mouvement des Scop et des Scic à fin 2022

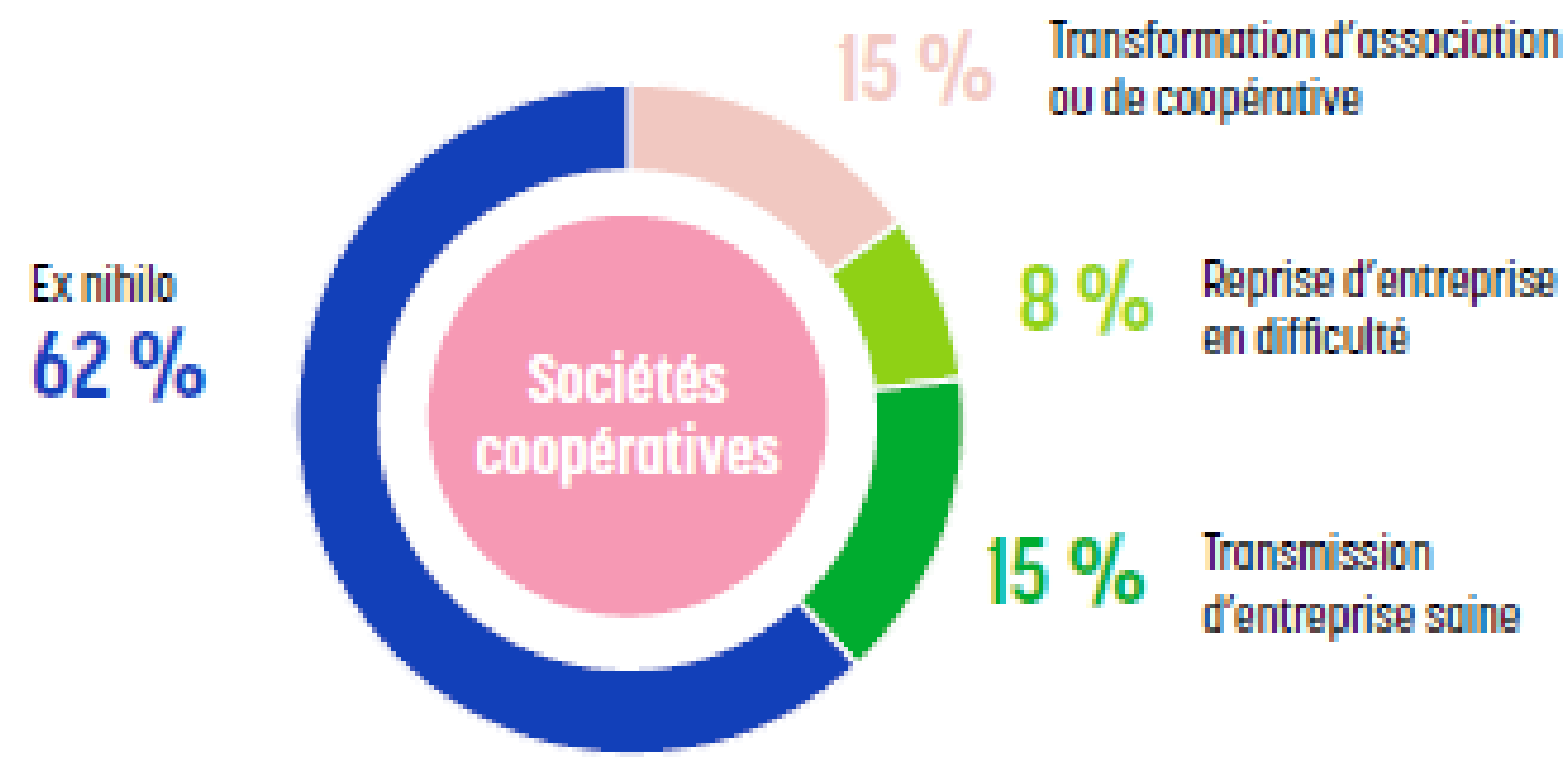


2022 Turnover



300 new coop in 2022:

Répartition par origine de création, ensemble des Scop/Scic à fin 2022



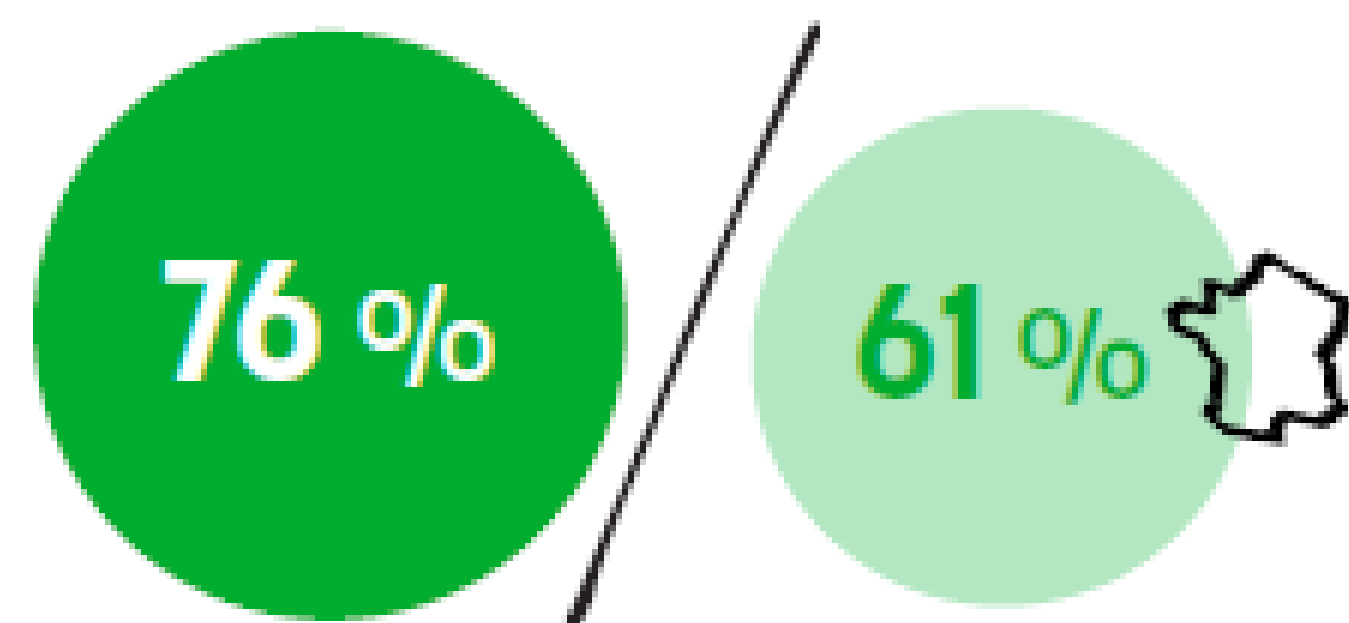
Public

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Worker buyouts under the cooperative form

Maintain jobs and skills in the territories

Le taux de pérennité à 5 ans continue d'augmenter



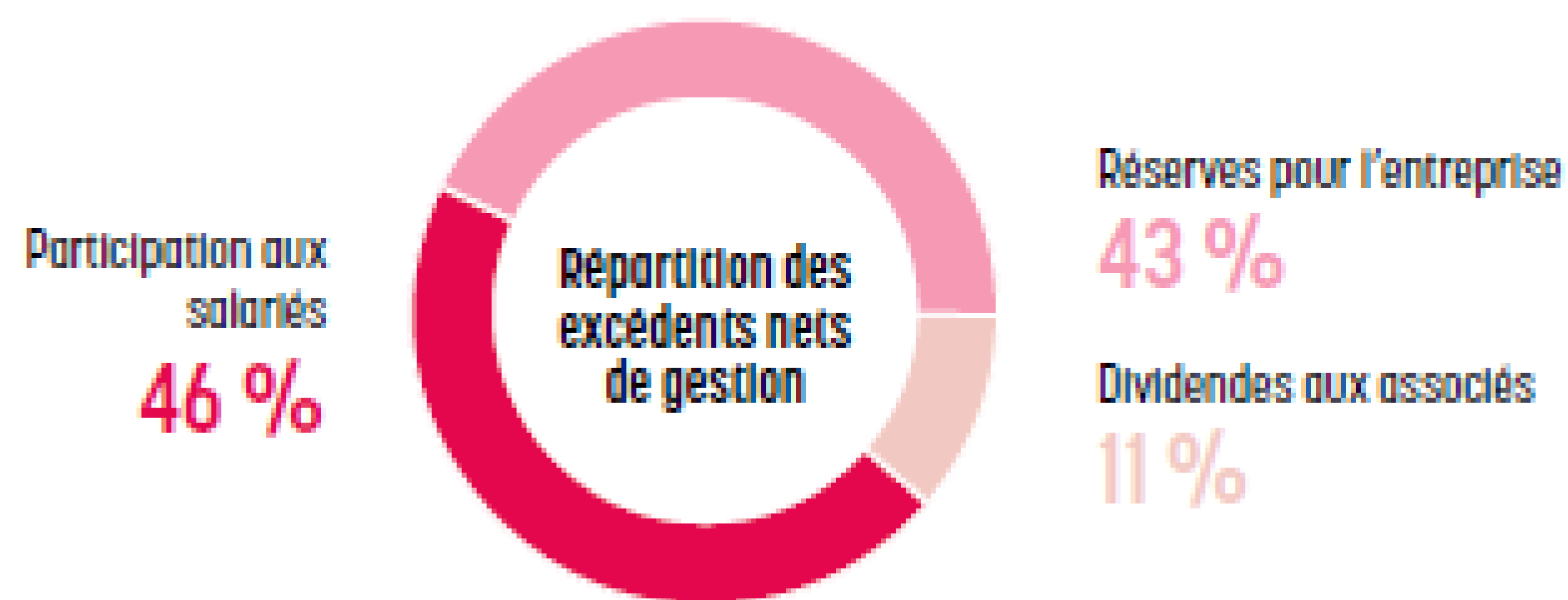
Le taux de pérennité à 5 ans est de 76 % pour les coopératives du Mouvement en 2022, contre 61 % pour l'ensemble des entreprises françaises (source INSEE). Ce taux est en augmentation de 3 points par rapport à 2021, ce qui continue d'illustrer la solidité des coopératives.

Méthodologie du calcul du taux de pérennité à 5 ans, à fin 2022: (Nombre de créations de coopératives entre 2013 et 2017 encore actives cinq ans plus tard / Nombre total de créations de coopératives entre 2013 et 2017) *100

French law allows all companies to be transformed into employee cooperatives

Répartition des résultats nets des Scop

Les résultats des Scop restent majoritairement répartis entre la participation aux salariés et les fonds propres de l'entreprise (réserves).



CGSCOP investment funds

550 loans for 29M€

640 guaranties for 50M€ of loans

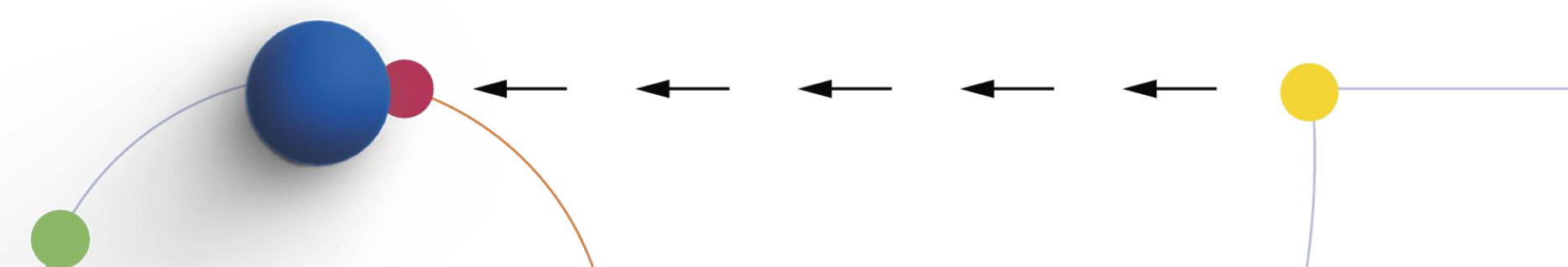
80 lines for 10M€ (equity shares, bonds and capital)

Finance cash flow, share purchase and investments

20% of our activity for WBO



Socoden est cofinancée et garantie par l'Union Européenne dans le cadre du programme de l'UE pour l'emploi et l'innovation sociale (EaSI), la Banque européenne d'investissement et le Fonds européen d'investissement.



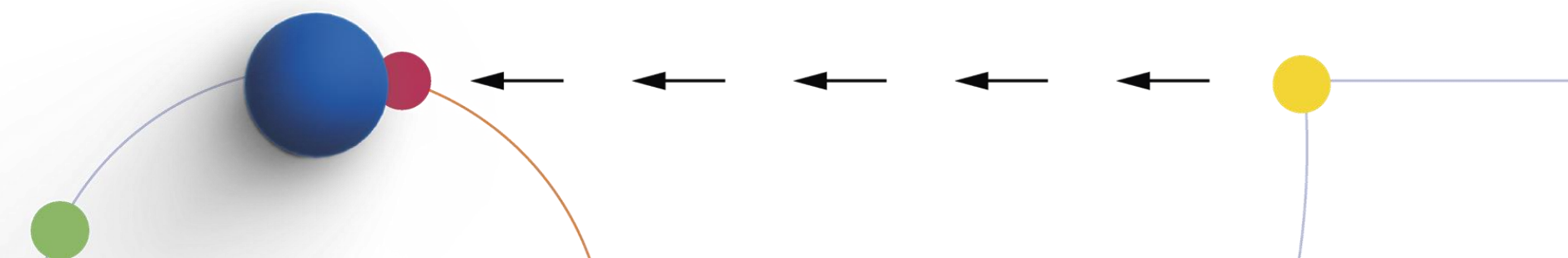
How to improve Workers Buyout

Promote the cooperative of employees form:

- Financial institutions
- Lawyer
- Financial regulation and audit

Improve social finance capacity:

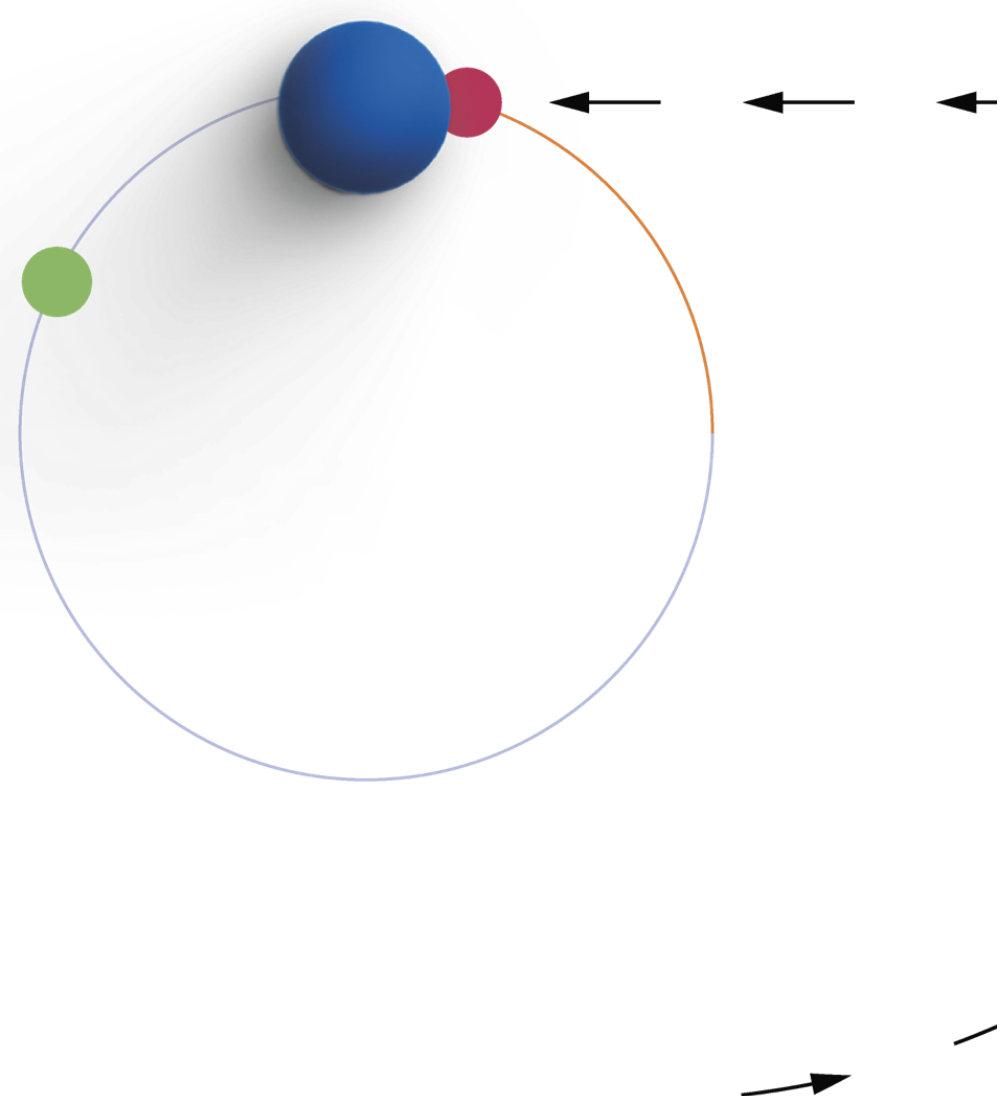
- Improve equity social funds
- Equity guaranty





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Thank you



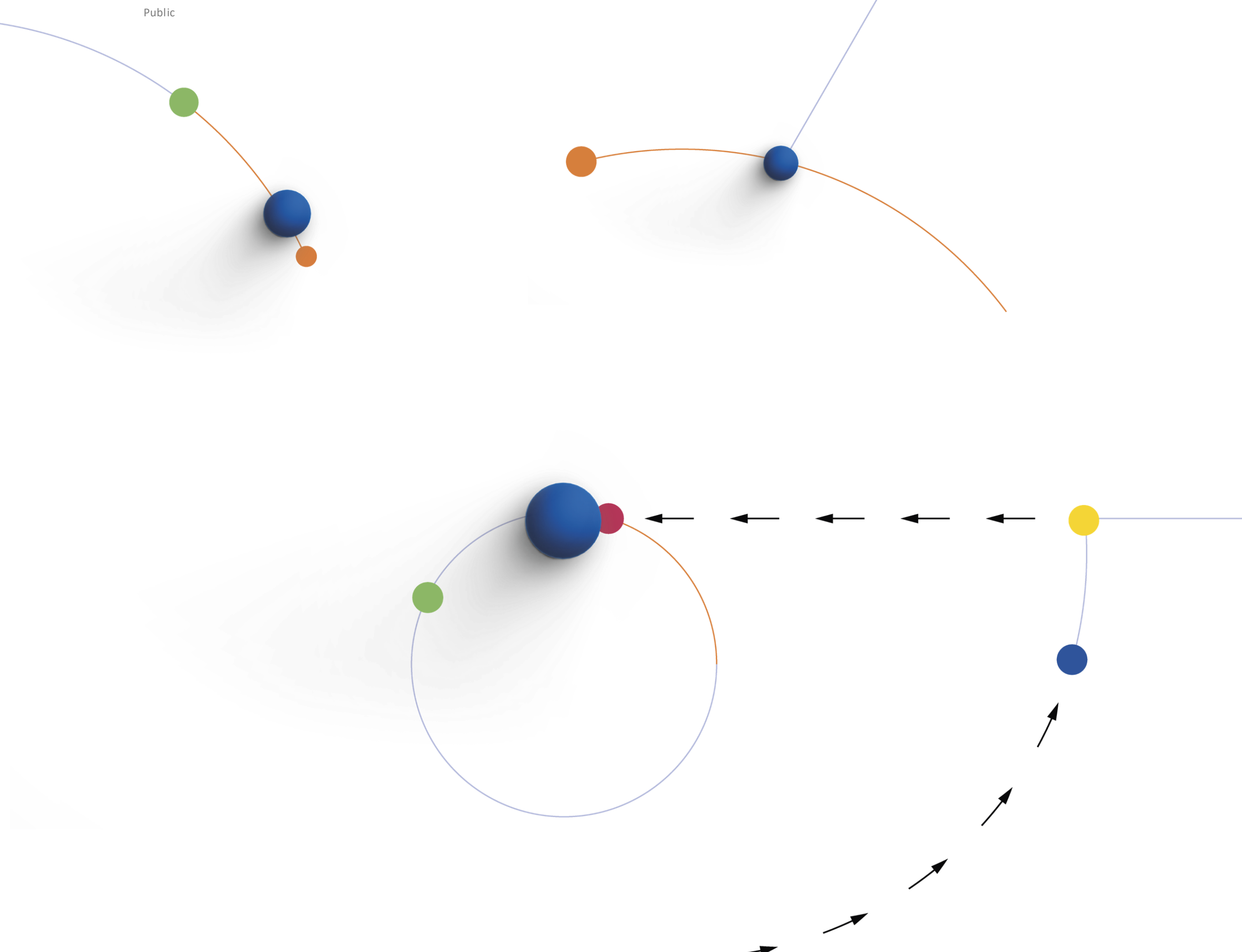
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Projects from the ground

Pedro Blazquez

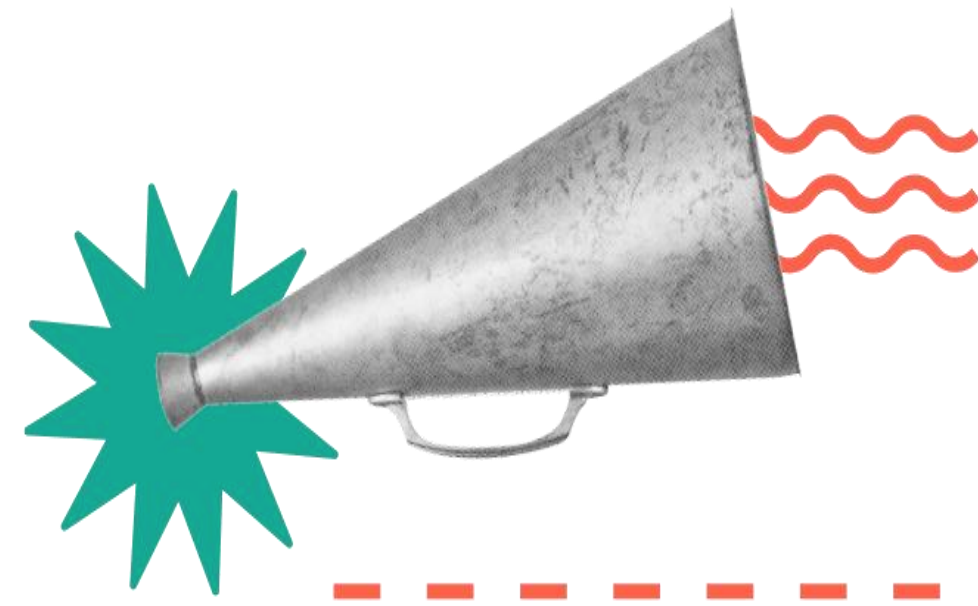
Lead of Training and Employment Area

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Strategic lines to keep employment through worker cooperatives

Actions aimed at workers



15 territorial organizations
+17.600 worker cooperatives represented
305.291 direct jobs of worker members in worker cooperatives
443.658 corporate jobs in cooperatives in Spain
+500 WBO in the last 5 years!



OBJECTIVES	STRATEGIES	ACTIONS
1.1. Raising awareness about the possibilities of transferring and wbo	<ul style="list-style-type: none"> - Make visible to working people the possibility of acquiring the company as working member 	<ul style="list-style-type: none"> - Communication and dissemination actions on the different existing possibilities - Visibility of good cases and practices.
1.2. Adapt existing possibilities of transformation to particular realities	<ul style="list-style-type: none"> - Analyze and investigate the different casuistry for the transformation - Have action methodologies adaptable to each situation - Have specific training itineraries for the transformation processes - Have Counseling and Mentoring programs that facilitate the processes 	<ul style="list-style-type: none"> - Diagnostics of situations prior to transformation processes - Development of efficient methodologies that allow an easy adoption of the new roles of workers. - Development of modular training itineraries that include all phases of the transformation - Development of training programs aimed at democratic participatory leadership - Development of Mentoring programs specialized in promoting groups in transformation processes
1.3. Collaborate in wbo processes	<ul style="list-style-type: none"> - Facilitate the appropriate mechanisms in the wbo processes into cooperatives - Train future members - Advise and accompany the members in the first steps of the cooperative 	<ul style="list-style-type: none"> - Attention to promoter groups and awareness - Analysis of the economic viability of the continuity of the activity. Analysis of the starting economic situation - Tax, legal and labor advice on cooperative matters (Cooperative Reconversion Advice Points) - Application of mentoring programs on transformed cooperatives - Actions for corporate training, cooperative management and transformation of companies



Strategic lines to keep employment through worker cooperatives

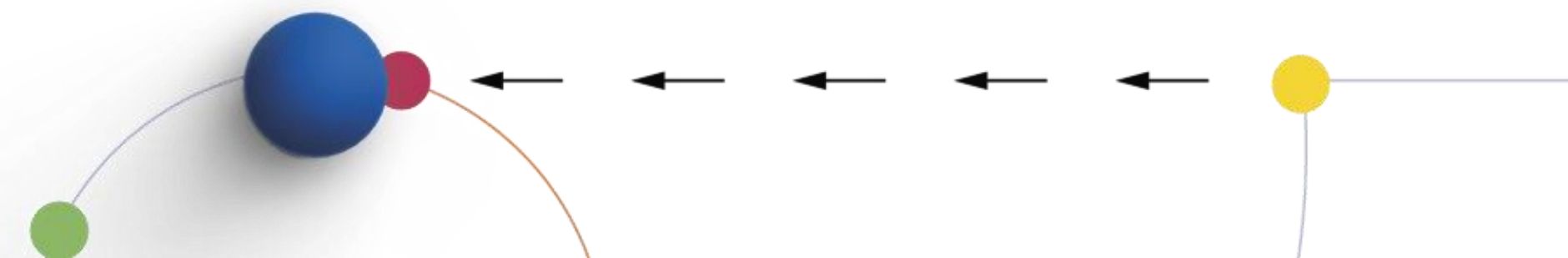
Support elements for wbo processes



<https://www.wins-project.eu/the-knowledge-platform>



OBJECTIVES	STRATEGIES	ACTIONS
1.4. Regulatory and normative	Have a favorable regulatory framework	Application of the Directives and Recommendations on wbo Regulatory development according to most of the situations that favor and facilitate the processes (Ley Concursal) Capitalization for Unemployment In-kind compensation Tax incentives for workers
1.5. Networking and development of shared knowledge platforms	Find interested parties in the matter share public proposals Disinterestedly sharing information, materials and communication mechanisms that may affect a larger target group	Public policy proposals Development of sharing platforms with updated materials
1.6. Search for financing	Get the best financial conditions for investment instruments Obtain subsidies and aid that can be directed to the processes of transformation into cooperatives	Bank negotiation Processing of aid for the incorporation of partners and for investment. Competitive concurrence



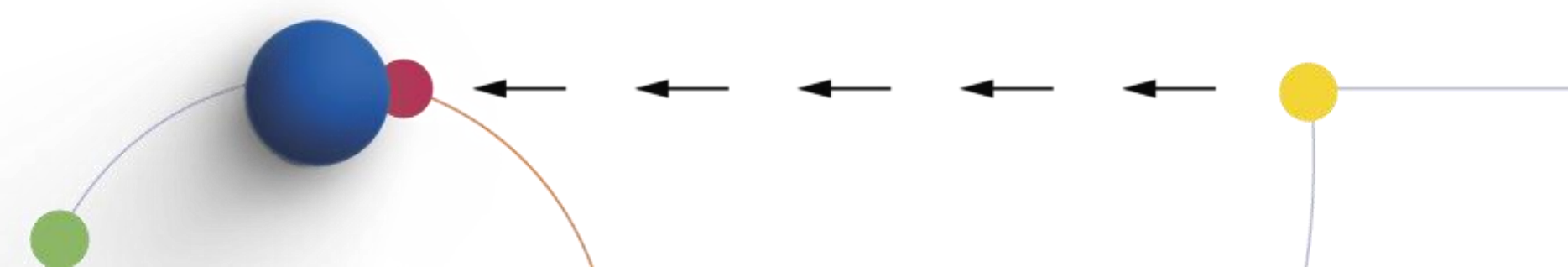
Strategic lines to keep employment through worker cooperatives

Actions directed at third parties / stakeholders



<http://savingjobs.coceta.coop/>

OBJECTIVES	STRATEGIES	ACTIONS
1.6. Third parties / stakeholders	<ul style="list-style-type: none"> Link advisers and lawyers and create networks of experts in the field Link the Representative Cooperative Organizations in the territories in the transformation processes Link Representative Unions Link to other representative Business Organizations Link public administrations Link the credit sector 	<ul style="list-style-type: none"> Workshops and seminars for advisers and promoters Creation of places for debate and discussion Development of Projects oriented in the matter where to link the parties Collaboration agreements with trade unions and representative organizations Public policy proposals Collaboration agreements with banks Search for lines of financing and capitalization / Lines of Investment and Working Capital Guarantees Capitalization due to unemployment



Legal Transformation versus Reconversion



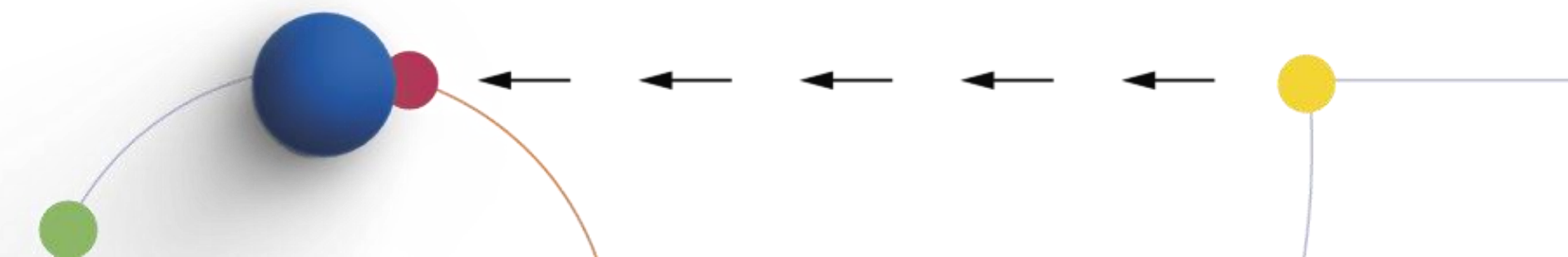
<http://savingjobs.coceta.coop/>

Legal transformation process

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> Uses of Know How Business continuity and customer maintenance Possibility of preferential acquisition of assets 	<ul style="list-style-type: none"> Impossibility of Capitalizing Unemployment (Pago Unico) Incompatibility with aid for the creation of cooperatives, investment, incorporation of partners Subrogation to company credits Bureaucratic Management Difficulty accessing financing Financial and democratic education

Reconversion

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> Possibility of capitalizing unemployment (Pago Unico) Compatible with aid for the creation of cooperatives, investment, incorporation of partners Debt relief Easy creation Easy access to social finances 	<ul style="list-style-type: none"> Stoppage of activity Loss of clients Impossibility of preferential acquisition Business succession risk Financial and democratic education



Financing possibilities of the WBO in Spain and External Financing

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- **Financing Possibilities**
 - Unemployment capitalization (Pago Unico)
 - Grants for the creation of cooperatives / Incorporation of partners / Investment
 - Tax aid and debt exemptions
 - External financing
 - External guarantees
- **External Financing**
 - Traditional cooperative banking (Laboral Kutxa, Caja Mar)
 - Ethical and Solidarity Financial Services Cooperatives (Coop57)
 - Ethical and Solidarity Banking (Fiare, Triodos Bank)
 - Mutual guarantee companies (Elkargi)



Good practices

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<https://www.elsnourals.cat/>



<https://ambuandalucia.es/>



<https://www.metalicasfacer.com/>



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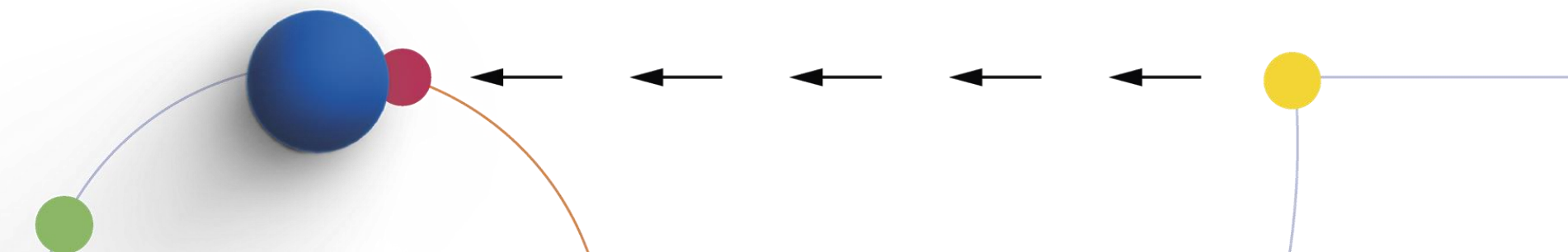
Projects from the ground

Alessandro Viola

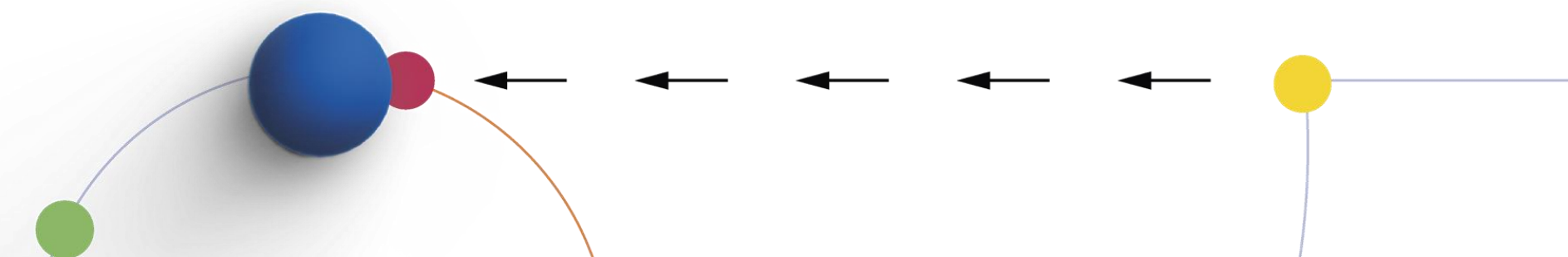
Head of Investigation and Development, Cooperazione Finanza Impresa, Italy

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1. CFI - **private institutional investor** in form of cooperative - **promoted in 1986 by Cooperative Confederations and Trade Unions** to manage **Marcora Law (L. 49/1985)** - main objective is provide financial and management support to cooperatives established through **business transfers to employees, well known in Italy as WBO**
2. **Ministry of Economic and Development** - main stakeholder and financial partner - more than 90% of **equity capital**, which is **98 million** euros. Plus 9 million of capital reserves, total net assets are 108 million euros.
3. + 80 mln of **public subsidized financial fund, managed by CFI since 2015**. Total is around **200 mln**;
4. CFI provides **equity capital** and **debt capital** In 2022 invested 20.1 million, 32 deals, medium size 0.6 million;
5. a **private company, a public stakeholder and supervisor**, a strong mission: a model that has allowed to operate with an entrepreneurial approach, ensuring slim procedures;
6. since **2003** start up, development, consolidation and repositioning projects in existing cooperatives, **not only wbo**. Social cooperatives, **not only workers cooperatives**;
7. since 2011, CFI has been **refocusing its capital and efforts on WBO projects**, its original mission and main field of knowledge and experience; graduale e di intervento in pool;



8. **2011 - 2022** : 101,8 million of investments, 349 board resolutions, 223 cooperatives. out of which WBO: 45,4 million - 162 – 92 **Turnover 2022 wbo 450 million euros**. Employees around 2.329;
9. accumulated **labor cost / fee** from 2011 up to 2021 of those wbo still on going is **409 millions** euros. Social security contributions and labor taxes, in Italy, represents **50%** of the total.
10. CFI experience, and financial intervention, from 1986 up to 2022
 - *1986 – 2000 only wbo: 160 deals*
 - *2001 – 2010 no wbo, only development of existing coops (labor and social)*
 - *2011 – 2022 92 wbo deal, plus development of existing coops*
11. portfolio investment 177 cooperatives: 54 social cooperatives, 123 **workers** cooperatives. CFI's **Board of directors** includes representatives of Italian cooperative confederations and MED
12. CFI team: 15 people + board of directors;
13. 2022: with **Small2Big**, small size equity investments to support social enterprise in becoming bigger, CFI awarded the competition notice “Transaction costs to support social finance intermediaries (ESF-2022-SOC-FIN)” - European Social Fund Plus (EaSI / ESF+)



WBO – ITALIAN EXPERIENCE

1. *wbo some basic requirement*

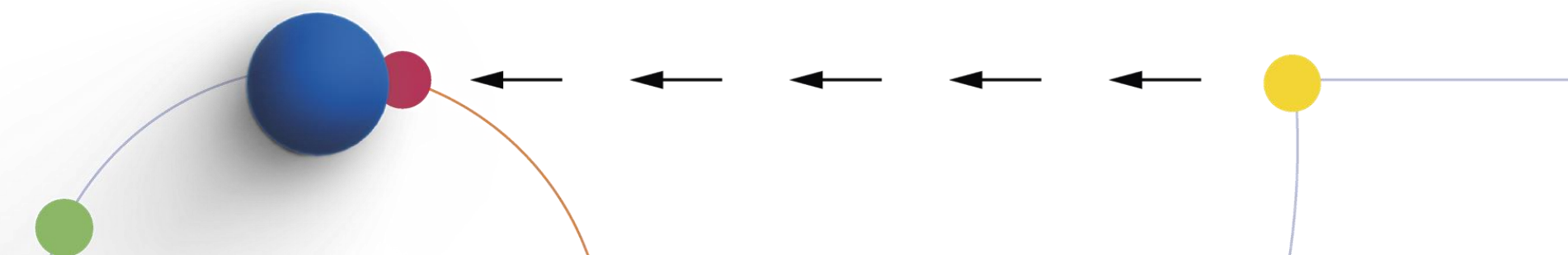
knowledge of crisis reason why (often under estimate or not well known); leadership and workers motivation; a reasonable and shared business plan; customers still interested to buy the product / contracts; rent or buy capital goods from the bankruptcy, at a very good price; process bottom up; network involved;

2. *wbo promotion*

cooperative associations, word of mouth, a significant number of wbos, successful stories, media, trade unions, network, institutions, mutualistic funds, some financial operator, low default rate, Marcora law and CFI, the elements at the basis of the success of wbo in Italy. Associations, CFI and mutualistic funds have played a key role;

3. *wbo supportive legal framework*

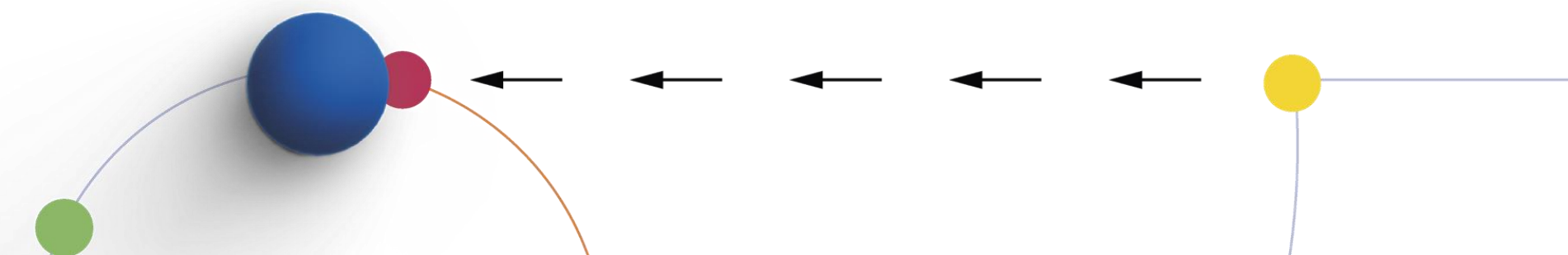
specific Italian regulations and value of cooperative model; possibility of receiving social welfare grants in advance, since 2019 no more taxed; financial instrument dedicated; associations linked to the territory; bankruptcy law; workers pre-emption to rent or buy the company; trade unions support; Marcora Law/CFI updated and strengthened. This framework has enhanced wbos model;



WBO – ITALIAN EXPERIENCE

4. *further development and goals*

- Marcora Law – CFI - **small and big steps done in more than 35 years;**
- 2020: agreement with **European Investment Fund**. Employment and Social Innovation (EaSI) – **guarantees** for social entrepreneurship. September 2022: 15 millions of CFI investments guaranteed. Agreement still on going;
- something new, done recently, a law to promote **wbo by generational turnover/succession: tax relief** for the property who sell and for workers who decide to capitalize severance pay, to buy the company.
- **financial resources** currently able to meet the demand, especially if the average size and number of wbo, done so far, are confirmed. But, **in case of bigger size** (like Fonderia Dante, Cartiera Pirinoli, Greslab, Italcables) **or more deals per year - our goals ! - financial resources are not sufficient**, especially if we have to face more risky/challenge wbos or more expensive ones.
- another ingredient, as much important as financial resources, maybe more, to increase number and dimension of wbos, and to make them work, is represented by the **team of people**, trained and motivated, cross skills, experienced, with a strong believe in cooperative model. Wbos are demanding, not only in preliminary phase, which is crucial, because you make the decision to start, but even after the birth, especially in the first two years. In Italy, thank you to the association, CFI and mutualistic fund, we have built a team of manager, consultant, well trained. It's non sufficient. **We have to do much more.**



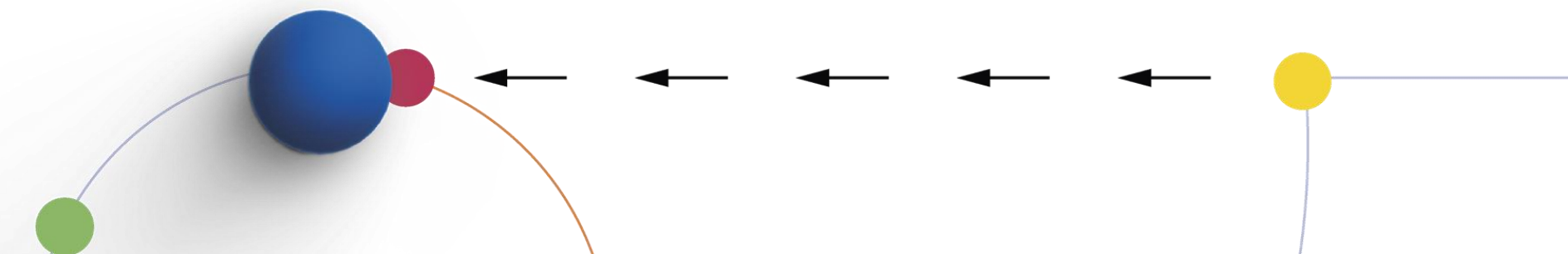
Annex - wbo 2011 – 2022

n° coop	n° resolutions	cooperative	year	activity	region	employees	sales	K	K/employees
1	1	Archimedia Sistemi	2019	software	Piemonte	13	1.091	200	15
2	1	Tre Monti Qualità e Territorio		dairy	Toscana	11	1.047	195	18
3	2	Coop Muratori Baschi		buildings	Umbria	28	3.798	320	11
4	1	Im&a Ecology		waste compactors	Sicilia	12	926	140	12
5	3	Telsa		plant engineering for telephone networks	Puglia	16	1.268	290	18
6	1	Spotlight		lighting systems	Lombardia	6	2.540	300	50
1.250									
1	1	Centro Moda Polesano	2020	clothing accessories	Veneto	32	1.143	150	5
2	1	Frosincoop		supermarket	Lazio	10	1.283	390	39
3	1	Nuovi Profumi		perfume manufacturing	Emilia Romagna	34	4.253	850	25
4	2	Agathis		naval furniture	Emilia Romagna	21	1.094	600	29
5	1	Costruzioni Segnaletica		road signs	Emilia Romagna	12	1.199	400	33
6	2	Agri Global Service		livestock equipments	Lombardia	7	392	395	56
2.785									
1	1	Forlì Tank Factory	2021	vehicle tanks	Emilia Romagna	7	623	80	11
2	2	Parco dell'Oltregreve		garden products distribution	Toscana	16	1.290	565	35
3	2	Next Elettronica		electronic boards	Calabria	3	5	700	233
4	2	Ceramiche Noi		ceramics	Umbria	20	1.760	150	8
5	1	Reno Fonderie		casting	Emilia Romagna	14	1.145	500	36
6	1	Happiness		clothing	Emilia Romagna	3	120	500	167
7	1	Web Furniture		furniture	Marche	40	14.867	1.200	30
8	1	Nova Engines		model car engines	Lombardia	10	880	650	65
9	1	Cores Italia		fixtures	Emilia Romagna	76	9.970	500	7
4.845									
1	1	Geotrans	2022	logistics	Sicilia	21	3.550	700	33
2	1	7 Wash		industrial laundry	Lazio	5	14.011	150	30
3	1	Nuova Vetreria		glass for furniture	Emilia Romagna	25	1.222	450	18
4	1	Ceramica Pattesi		ceramics	Sicilia	4	229	160	40
1.460									

n°	n° delibere		addetti	sales	K	K/employees
92	162	total wbo totali	2.329	450.974	45.385	19
20	30	not on going	316	35.242	4.755	
22%	19%		13,6%	7,8%	10,5%	

Annex wbo 2011 – 2022

n° coop	n° resolutions	cooperative	year	activity	region	employees	sales	K	K/employees
1	2	64 Biz	2016	audio and video post production	Lazio	12	1.006	190	16
2	2	Plastica Sud Brindisi		plastic recovery	Puglia	14	1.358	215	15
3	2	Berti		facades	Veneto	36	5.674	350	10
4	1	Clas		green space maintenance	Emilia Romagna	43	10.011	330	8
5	2	D'esi Cucine		kitchen furniture	Marche	14	709	250	18
6	2	Fornace Fosdondo		brick production	Emilia Romagna	21	3.918	650	31
7	1	Industria Abruzzo		musical toys	Abruzzo	30	2.172	180	6
8	1	Ora Office		office furniture	Lazio	26	2.163	250	10
9	1	Patrolline		burglar alarms	Lombardia	15	2.638	220	15
10	4	Forlì Ambiente		environmental services	Emilia Romagna	63	12.816	600	10
11	3	Stile		parquet	Umbria	35	7.914	500	14
12	1	Mobitaly		kitchen furniture	Marche	20	1.974	130	7
3.865									
1	2	Methis	2017	office furniture	Emilia Romagna	22	2.883	550	25
2	4	Fonderia Dante		casting	Veneto	107	25.092	2.500	23
3	1	CDR		supermarket	Sicilia	7	1.180	50	7
4	1	Nanni Elba		green space maintenance	Toscana	22	1.356	150	7
5	2	Ceramica Alta		ceramics	Emilia Romagna	13	773	400	31
3.650									
1	4	Nuova Butos	2018	sugar sachets	Emilia Romagna	21	2.532	750	36
2	2	Noiluna		silver frames	Marche	10	992	245	25
3	2	Giorgio La Pira		supermarket	Sicilia	27	7.524	1.375	51
4	1	Il Nuovo Sentiero		industrial laundry	Marche	19	641	170	9
5	1	Wald		household items	Umbria	18	1.751	100	6
6	2	Novimec		metal carpentry	Puglia	15	1.143	300	20
7	2	Gazzotti 18		parquet	Emilia Romagna	27	5.418	875	32
8	2	Ternipan		bakery products	Umbria	73	10.039	1.000	14
9	2	Carp.rie Metalliche Umbre		metal carpentry	Umbria	20	3.156	350	18
5.165									



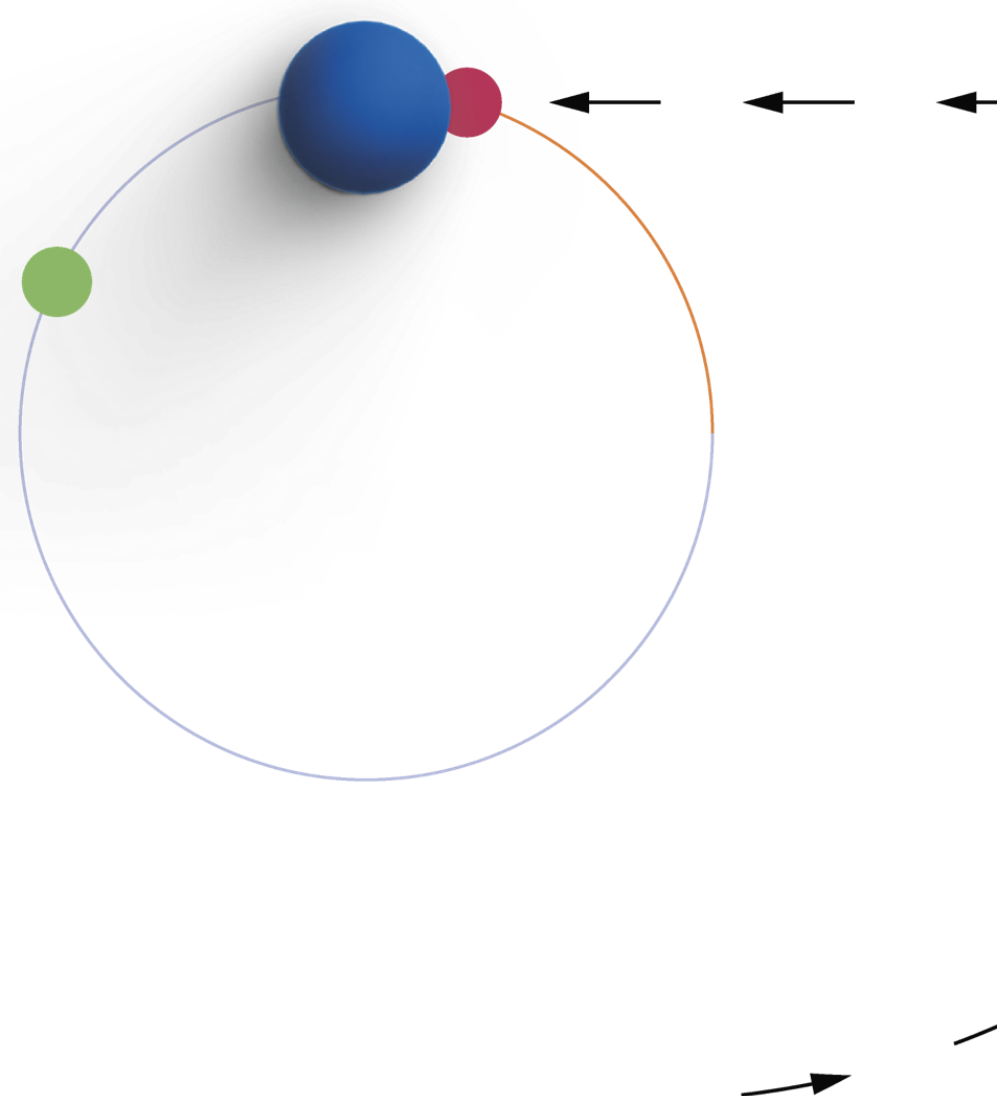
Annex wbo 2011 – 2022

n° coop	resolutid	cooperative	year	activity	region	employee	sales	K	employees
1	5	Greslab	2011	Tiles	Emilia Romagna	81	19.753	2.525	31
2	1	L&Q		kitchen furniture	Marche	28	4.788	300	11
3	1	Infissi Design		fixtures	Emilia Romagna	9	1.162	100	11
4	1	Vetrerie Empolesi		glass crafts	Toscana	14	271	100	7
5	2	Aussametal		metal carpentry	Friuli Venezia Giu	20	1.647	285	14
6	1	D&C		foundry moulds	Veneto	12	1.063	150	13
7	2	Italstick		self-adhesive materials	Emilia Romagna	34	10.467	450	13
8	1	Master		bathroom furniture	Lazio	6	132	75	13
3.985									
1	2	Alfa Engineering	2012	monolithic insulating joints	Emilia Romagna	15	2.152	250	17
2	1	Casa Italia		PVC frames	Emilia Romagna	11	2.217	150	14
3	1	Clab		bathroom furniture	Toscana	25	1.365	300	12
4	3	Fenix Pharma		pharmaceutical distribution	Lazio	49	7.684	1.400	29
5	1	NCS		fixtures	Emilia Romagna	9	1.942	100	11
6	1	Textyle		textile	Emilia Romagna	31	1.612	150	5
2.350									
1	2	CMT	2013	public and private transport	Umbria	87	5.347	450	5
2	3	Cogest		supermarket	Sicilia	51	10.019	700	14
3	1	Coop Bolfra		wooden carpentry	Toscana	1	916	80	80
4	3	Raviplast		packaging	Emilia Romagna	28	7.477	1.070	38
2.300									
1	1	Arbizzi	2014	packaging	Emilia Romagna	22	13.137	100	5
2	2	Birificio Messina		brewery	Sicilia	25	3.471	500	20
3	3	Cartiera Pirinoli		packaging	Piemonte	93	48.117	2.900	31
4	2	Conceria del Chienti		tannery	Marche	32	2.719	550	17
5	1	Coop3		wholesale grocery	Toscana	6	307	75	13
6	1	Edizioni Moderna		typography	Emilia Romagna	3	2.663	80	27
7	3	Fail		fixtures	Umbria	37	7.474	1.250	34
8	1	Nuova Ossigeno Napoli		industrial gases	Campania	1	64	75	75
9	3	GBM		system engineering	Umbria	39	6.306	600	15
10	2	Isolex		polystyrene insulating sheets	Sardegna	36	15.429	500	14
11	3	Kuni		naval furniture	Veneto	18	2.797	280	16
12	1	OneOven		catering ovens	Lombardia	3	198	60	20
13	1	Progetto Olimpo		supermarket	Sicilia	57	13.813	300	5
14	3	Sportarredo		beauty furniture	Veneto	10	1.466	280	28
15	2	Zanardi		bookbinding	Veneto	46	5.184	600	13
8.150									
1	3	3Ellen	2015	fixtures	Emilia Romagna	62	12.524	1.100	18
2	3	Autoservizi Garda Valsabbia		tourist transport	Lombardia	11	761	440	40
3	1	Edilecogreen		buildings	Emilia Romagna	3	161	125	42
4	1	Lavanderia Girasole		industrial laundry	Emilia Romagna	25	1.776	245	10
5	3	Screensud		steel mesh manufacture	Campania	15	1.750	375	25
6	1	Soles Tech		structural and geotechnical eng	Emilia Romagna	38	11.549	500	13
7	1	Terramia		farm	Sicilia	4	421	150	38
8	5	Wbo Italcables		steel cables	Campania	56	32.337	2.450	44
5.385									



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Thank you



Public

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Financial instruments for Workers Buyout

European ESOP

Tej Gonza

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Leveraging broad-based employee ownership

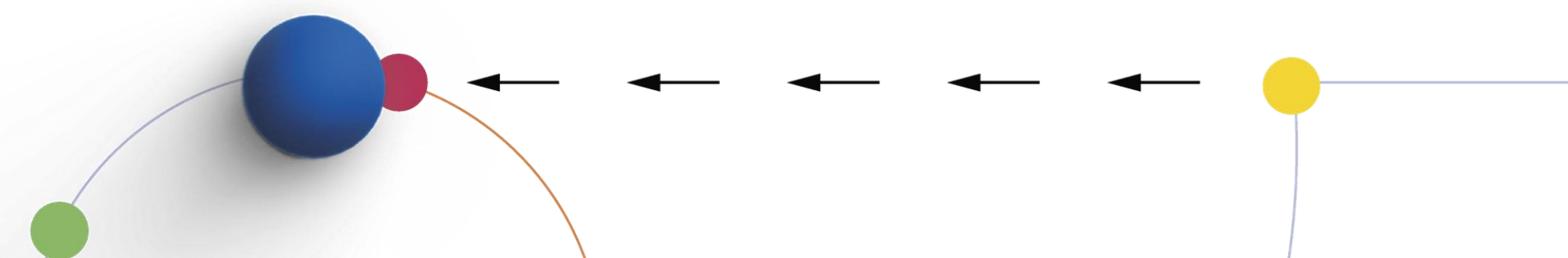
Two complementary main roads to worker buyouts:

- Buy assets of failing/moving businesses (Marcora / Pago Unico; Marcora for Europe (2021))
- Convert successful businesses by leveraging the future profits of the operating company (Europe lags behind US, UK, upcoming in Canada, Japan, Australia, and - Slovenia)

What is an ESOP? Legal innovation for leveraged broad based employee buyouts through a SPV.

The main use of the model is to address **ownership succession problem** in SMEs in Europe:

- SMEs backbone of EU economy
- EC: Every year, 600.000 businesses and more than 2.000.000 jobs threatened
- Alternatives may not be friendly (e.g., private equity)



European ESOP

A concept (2019-2022)

Ellerman D., Gonza T., and Berkovec G. (2022). *European Employee Stock Ownership Plan (ESOP): the main structural features and pilot implementation in Slovenia*. Springer Business & Economics

A proof of concept (2022-2023)

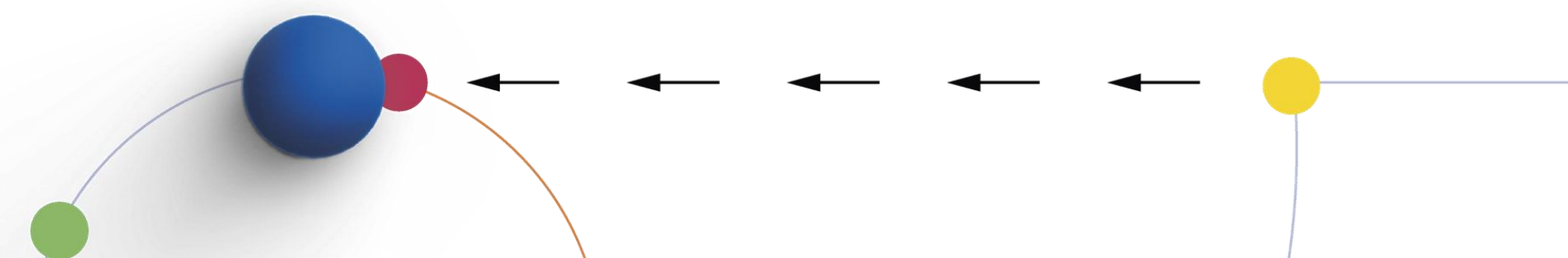
3 Slovenian companies (8, 12, and 90 employees)

Minimum viable product (2023-2024)

Standardization of the model, up to 5 new companies in Slovenia (the biggest one 300 employees),

Policy/dissemination (2023-)

Slovenian ESOP law draft (anticipated by the end of 2023), dissemination to different European countries



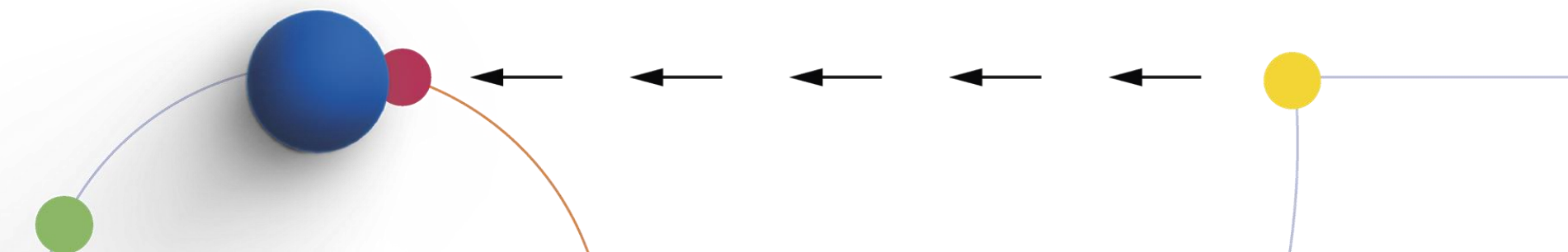
Institutional bias: The case of *inESOP*

The story of Inea d.o.o., soon-to-be 100% ESOP-owned company with 90 employee-owners (all part of the ESOP structure)

Challenging road for the ESOP buyout from 2019 to 2023:

- Only half of the owners agreed to seller's credit, other half was paid out in two installments – **need for credit**
- **Before ESOP**, best credit rating. **After ESOP** (same company), very different credit conditions (on financing operating capital for confirmed projects!)
- **Why?** Institutional bias against EO, lack of understanding, problematic ECB regulation etc.

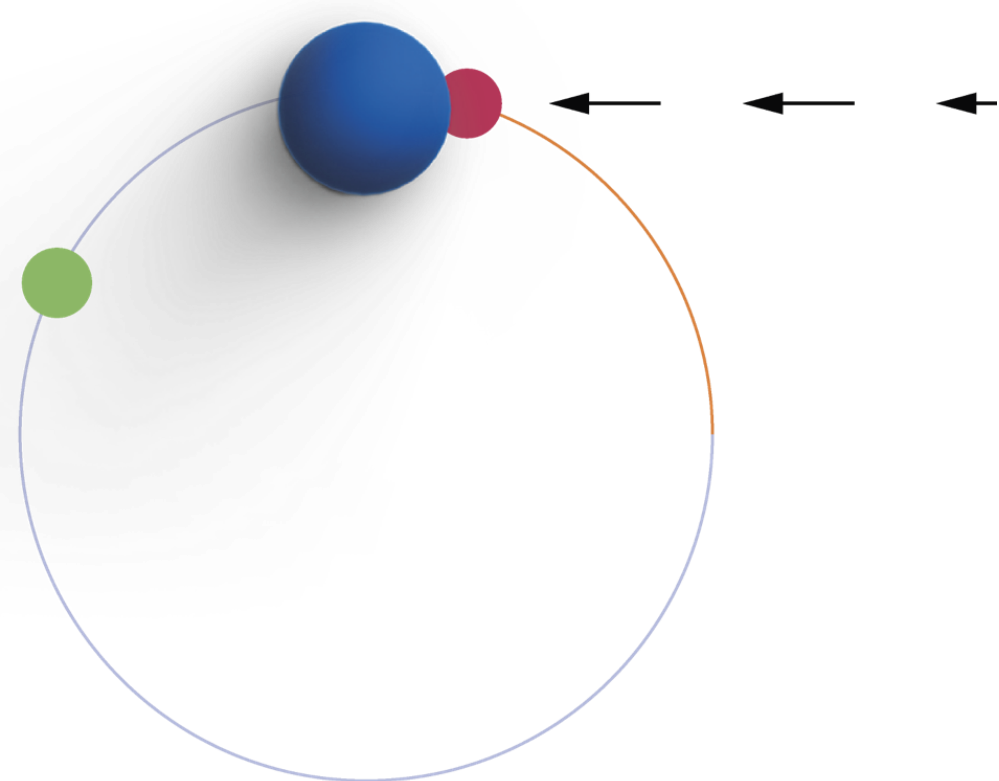
How EU can help? Encourage nation states to develop supportive institutional environment (e.g., legislation, financial instruments, state aid exceptions).





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Thank you





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The experience of Banca Etica

Alessandro Celoni

Director of Loan Department, Banca Etica, Italy

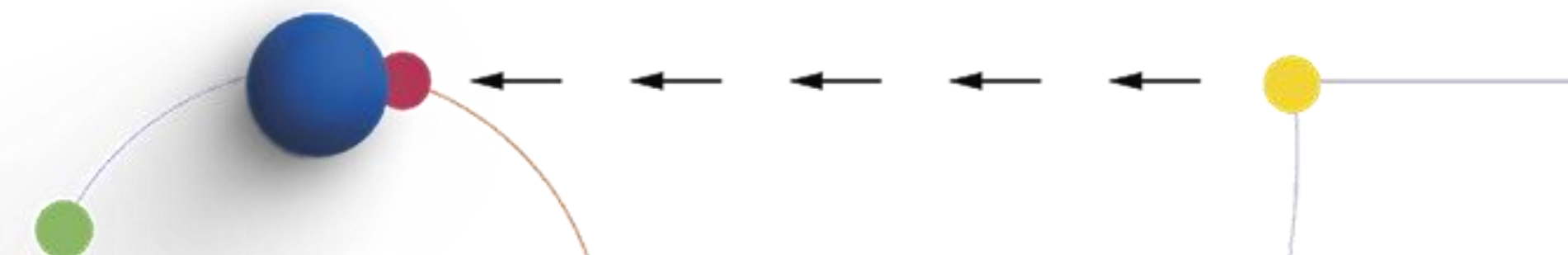
MISSION AND NETWORKING

Protection and development of jobs:

a part of the mission of Banca Etica;
a metric used to measure our Impact.

How can a small bank accomplish its mission?

- Favourable **legal framework** (Law 49/1985, Law 59/1992, Decree 4.12.2014)
- Network with greater players:
 - **cooperative movement** (Legacoop, Confcooperative, Agci) -> **mentoring and services**
 - **CFI** (Cooperazione Finanza Impresa) -> **capital and loans**
 - **cooperative mutual funds** (Coopfond, Fondo Sviluppo, General Fond) -> **capital and loans**
 - **cooperative guarantee fund** (Cooperfidi) -> **guarantees**



FIGURES

First two loans were granted in **2011** in full credit crunch.

An emergency intervention with no idea of what a WBO was.

Since then lending to WBOs has become an ordinary activity for the bank.

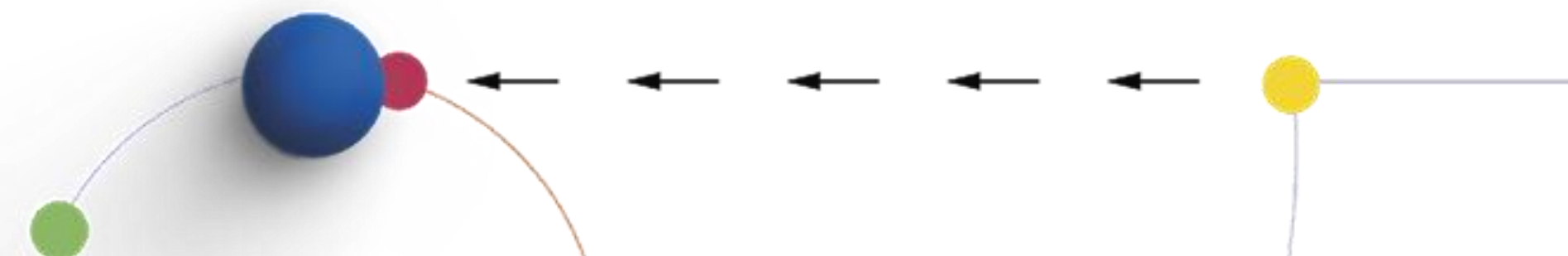
Loans total amount: **€ 40.060.000 (3,2%** of our loan portfolio)

New cooperatives: **52 (56%** of the overall number of wbos in Italy since 2011)

New jobs: **1.562**

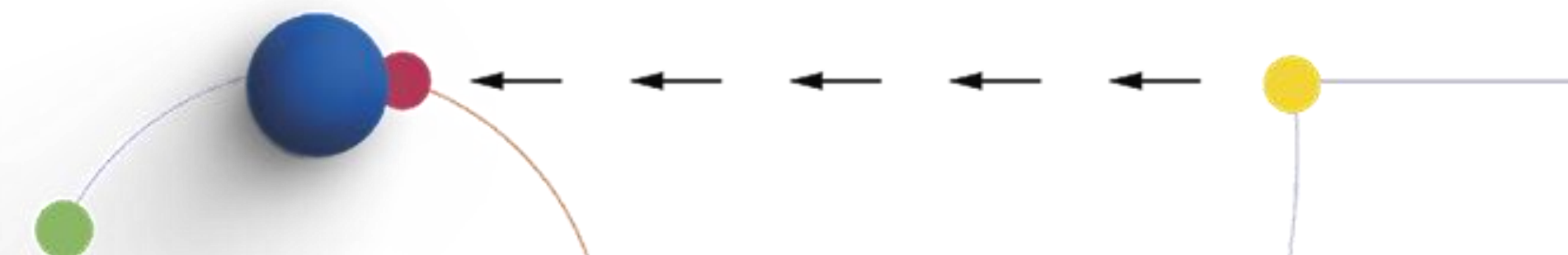
Bankrupt cases: **8**

Defaulted loans: **€ 1.230.000 (3,07%)**



KEY SUCCESS FACTORS

- Equity:** need of investors (patient capital)
participating financial instruments
- Managerial skills:** need of training
- Guarantees:** uncapped guarantees or counter-guarantees for the national
guarantee funds
- Legal framework:** advocacy



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Thank you

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