

Microfinance in the cooperatives sector

Cagliari, 11th July 2017

Summary

- ✓ Short COOPFIN history
- ✓ The Italian way for Microcredit: a new legal framework
- ✓ COOPFIN in the new legal framework



Short COOPFIN history



- ✓ Set-up in the nineties following a public-private agreement between the Cooperatives business organizations (partners of the company) and Sardinia Region
- ✓ Received in the nineties EUR 30 ML Euros by Sardinia Region to support cooperatives by:
 - Loans
 - Equities
- ✓ From 1998 to 2014:
 - About **800 cooperatives and partners of cooperatives** financed by loans, including **600** microfinance interventions (under EUR 25.000)
 - **20** cooperatives financed by equity

The Italian way for Microcredit: a new legal framework

- ✓ 2010: The Italian bank system reform (Legislative Decree 141/2010) has identified a new category of intermediaries, known as **Microcredit Operators**, which, when certain requirements are met, may ask to be entered in a register held by the Bank of Italy .
- ✓ 2014: Ministerial Decree 176/2014 defines the technical characteristics of loans, the purposes and the corresponding beneficiaries for each type of microcredit loan as well as the requirements for operators to be entered in the register held by the Bank of Italy .
- ✓ 2015: Bank of Italy Regulation defined the procedure to join the Microcredit operators register.



The Italian way for Microcredit: a new legal framework

- ✓ Entrepreneurial microcredit: aimed to the start-up and development of microenterprise or self-employment business initiatives:
 - set-up by less than 5 years
 - max EUR 100.000 turnover
 - max EUR 300.000 total assets

- ✓ Maximum amount loan: EUR 25.000

- ✓ **Compulsory** Business Development Services: fundamental component of microcredit operations - technical assistance, tutoring and monitoring.



The Italian way for Microcredit: a new legal framework



Private
(Microcredit Operator)

- provides the credit

Public

- guarantees the credit provided (80%) with limited-risk weighting for the Microcredit Operator

COOPFIN in the new legal framework

- ✓ February 2016: submitted the request to Bank of Italy
- ✓ August 2016: recognized by Bank of Italy as Microcredit Operator
- ✓ February 2017: start receiving the first requests of microcredit loans



Context analysis

- ✓ Despite the crisis, the dynamics of the cooperative sector in Sardinia remain positive and there is a trend towards the creation of new cooperative enterprises (about 100 new cooperatives per year, of which about 70 joint business organizations).
- ✓ Access to traditional credit channels by micro-enterprises remains complicated.
- ✓ COOPFIN is the only recognized microcredit operator in Sardinia and the only specialist in cooperatives at the national level.
- ✓ The Microcredit Fund of Sardinia Region (ESF) did not cover enough the cooperative sector, has long response time (180 days) and does not provide support services to enterprises.
- ✓ European programming 2014-2020 offers important integration opportunities with operations financed with EU funds.

Strategy



- ✓ Not just innovative start-ups
 - ✓ Cover all Sardinia
 - ✓ We accompany you ...
 - ✓ Part of a system
 - ✓ Quick response times (60 days)
 - ✓ EU programming integration
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Objectives over the next 3 years



Year	Beneficiary cooperatives	New coop workers	Finance
2017	40	80	€ 1.000.000
2018	50	100	€ 1.250.000
2019	60	120	€ 1.500.000
Total	150	300	€ 3.750.000

COOPFIN business services model

- ✓ Business Development Services: fundamental component of microcredit operations - technical assistance, tutoring and monitoring
- ✓ Based on the existing network services of cooperatives business organisations, covering all Sardinian territory
- ✓ Selected on the basis of experiences requirements
- ✓ Provided to the beneficiary both before the provision of microcredit and during the repayment phase
- ✓ Supplied face to face to facilitate a direct personal relationship between the tutor and the beneficiary
- ✓ Overcome “information asymmetries” reducing the financing risk and defaults rates
- ✓ Greater empowerment of the loan beneficiary



Challenges

- ✓ Improve the quality of business services network
- ✓ Implement cooperation with local authorities on projects to support and finance micro-enterprises within urban development initiatives
- ✓ Implement cooperation with bodies working on local development by programs financed by EU (e.g. project Microcredit for small-scale fishermen)
- ✓ Develop on national level by the cooperatives business organisations network
- ✓ Learn by other experiences at European level (we are joining the European Microfinance Network)



A best practice: Microcredit for small-scale fishermen

- ✓ COOPFIN is member of the FLAG (Fisheries Local Action Groups) “Sardegna Orientale” covering most of the East Coast of Sardinia
- ✓ Local fishermen have been enduring the effects of the financial crisis with limited access to the banking system.
- ✓ This is why the FLAG with COOPFIN have decided to establish a microcredit fund to respond to fishermen’s financial needs and support initiatives related to the fisheries sector.
- ✓ On a early stage, the FLAG expects to help develop between five and eight microcredit applications from cooperatives for an average of EUR 10.000 each in 2018.



Thank you for your attention!

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