



Innovative ESF financial instruments in the Sardinia region

Luca Galassi, Managing authority of the ESF Regional OP, Sardinia, Italy



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Background: some figures Sardinia



Surface:	24,090 km ²
Population 2016:	1.653.135
Population density:	68,6 people/km ²
GDP 2015:	€32.481 m
GDP 2015 IT:	€ 1.645.439 m
Sardinian GDP 2% of Italian GDP	
Cohesion Policy:	in transition region
Unemployment rate 2016:	17,6%
Unemployment rate IT 2016:	11,7%
Youth unemployment rate 2016:	58,6%
Youth unemployment rate 2016 IT:	39,6%



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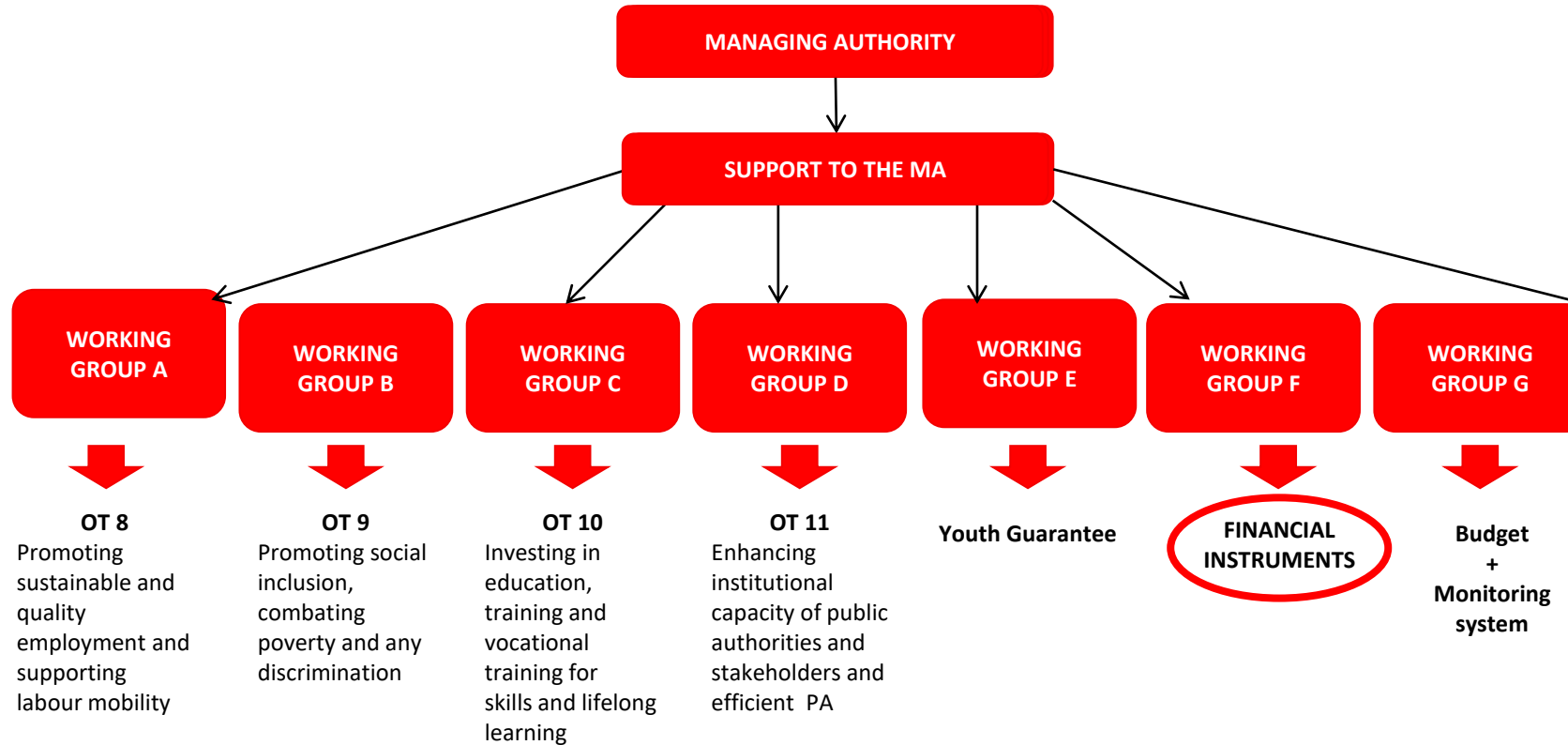




ESF MANAGING AUTHORITY IN SARDINIA



ESF Managing Authority organisation



There is one working group for each thematic priority . Furthermore, there are 3 other working groups focused on strategic topics, such as Youth Guarantee and Financial Instruments. This organizational structure reflects the **strategic role** of FIs.



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Financial Instruments in the Regional Operation Programme 2007/2013



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FIs in the ROP 2007/2013 (1/2)



WHY

They are a **sustainable** and **efficient** way to invest in the growth and development of both **individuals** and **enterprises**.

They have a **great added value**: their revolving nature. It is the capacity of the financial instrument to generate additional flows of money – either through repayments or through the realisation of investments – with the objective of further reutilisation. This revolving nature allows us to benefit from increased resources.

WHAT

- Fondo Microcredito*
- Fondo PISL-POIC*
- Fondo Sviluppo del sistema Cooperativistico*
- Fondo Finanza Inclusiva*

BUDGET:
more than **€ 121 milions**

18% of the total PO budget

HOW

In house financial intermediary - SFIRS

FIs in the ROP 2007/2013 (2/2)



	Microcredito	PISL - POIC	Finanza inclusiva	Cooperative
Financial products	Loans: 5.000€ <x< €25.000 (microloans) Interest rate: 0%	Loans: max €50.000 (microloans) Interest rate: 0%	Guarantees and counter-guarantees	Quasi equity loans: max € 120.000
Final recipients	Vulnerable people who are in a disadvantaged position with regard to access to the conventional credit market and who want to start or further develop their own	<p>PISL Non-bankable people who want to start a new business in Municipalities involved (< 20,000 inhabitants)</p> <p>POIC Entrepreneurs who want to expand their business with a new activity in Municipalities involved (> 20,000 inhabitants)</p>	<p>People/enterprises:</p> <ul style="list-style-type: none"> - with difficulty in getting access to the conventional credit market - who are final beneficiaries of ESF grants or other public grants. (in order to pay an advance to a final beneficiary, the Public Authority could ask for a guarantee). 	Cooperatives with difficulty in getting access to the conventional credit market
# final recipients	3,809	712	21	61
OP financial allocation	78,5 M€	28,7 M€	7,5 M€	6,7 M€
OP contributions paid to f.r.	91,3 M€	24,01 M€	5,28 M€	6,7 M€



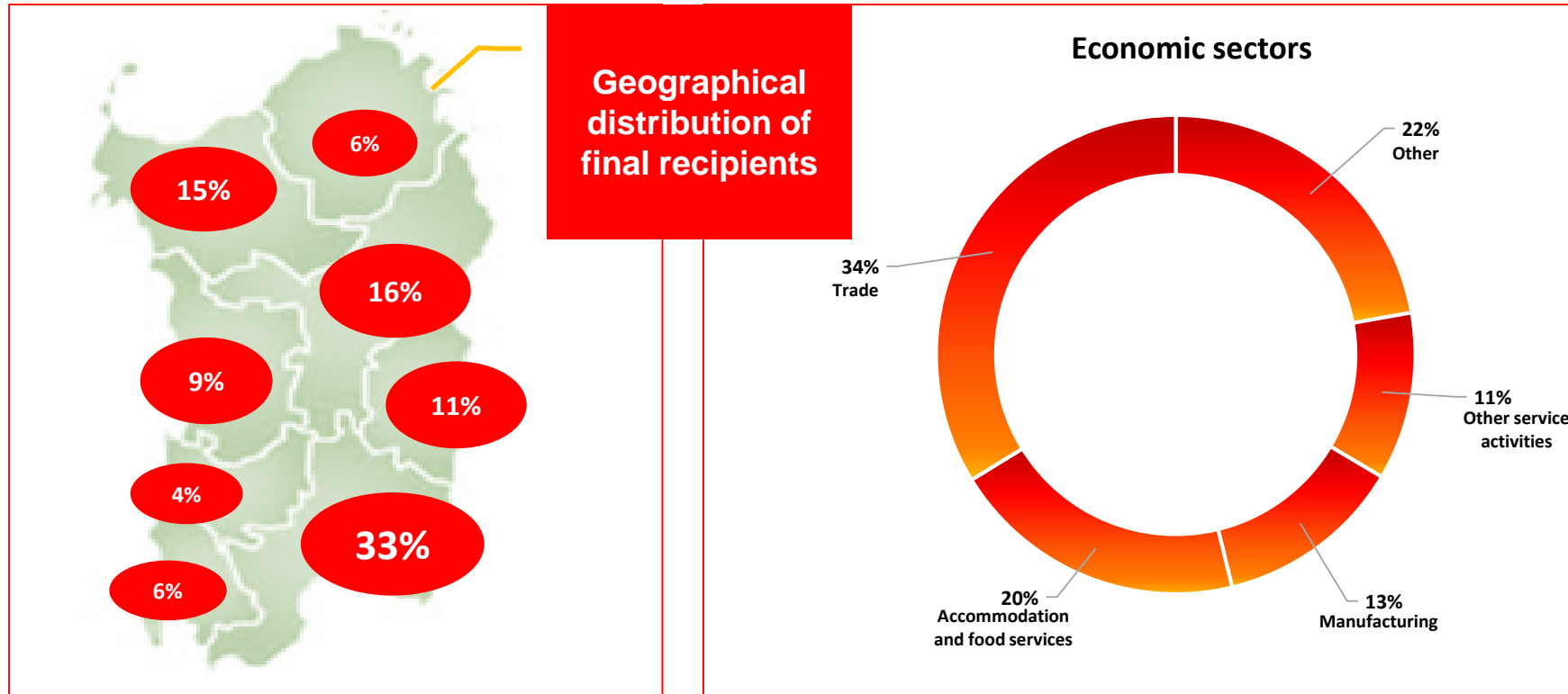
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FIs in the ROP 2007/2013: some results at territorial level (1/4)



Fondo Microcredito FSE

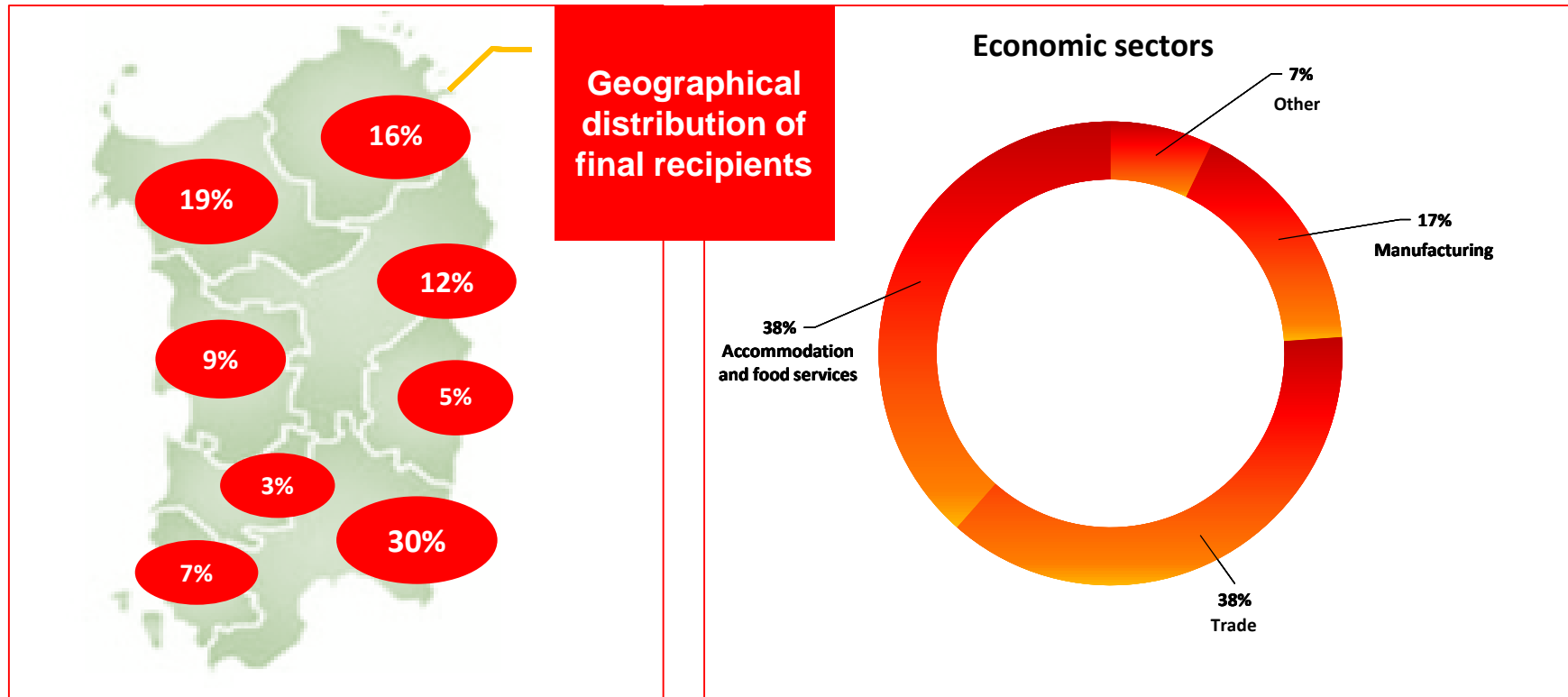


49 % of enterprises supported by Microcredito: **women-owned** SMEs.
56% of enterprises supported by Microcredito: **STARTUP**

FIs in the ROP 2007/2013: some results at territorial level (2/4)



Fondo PISL-POIC FSE

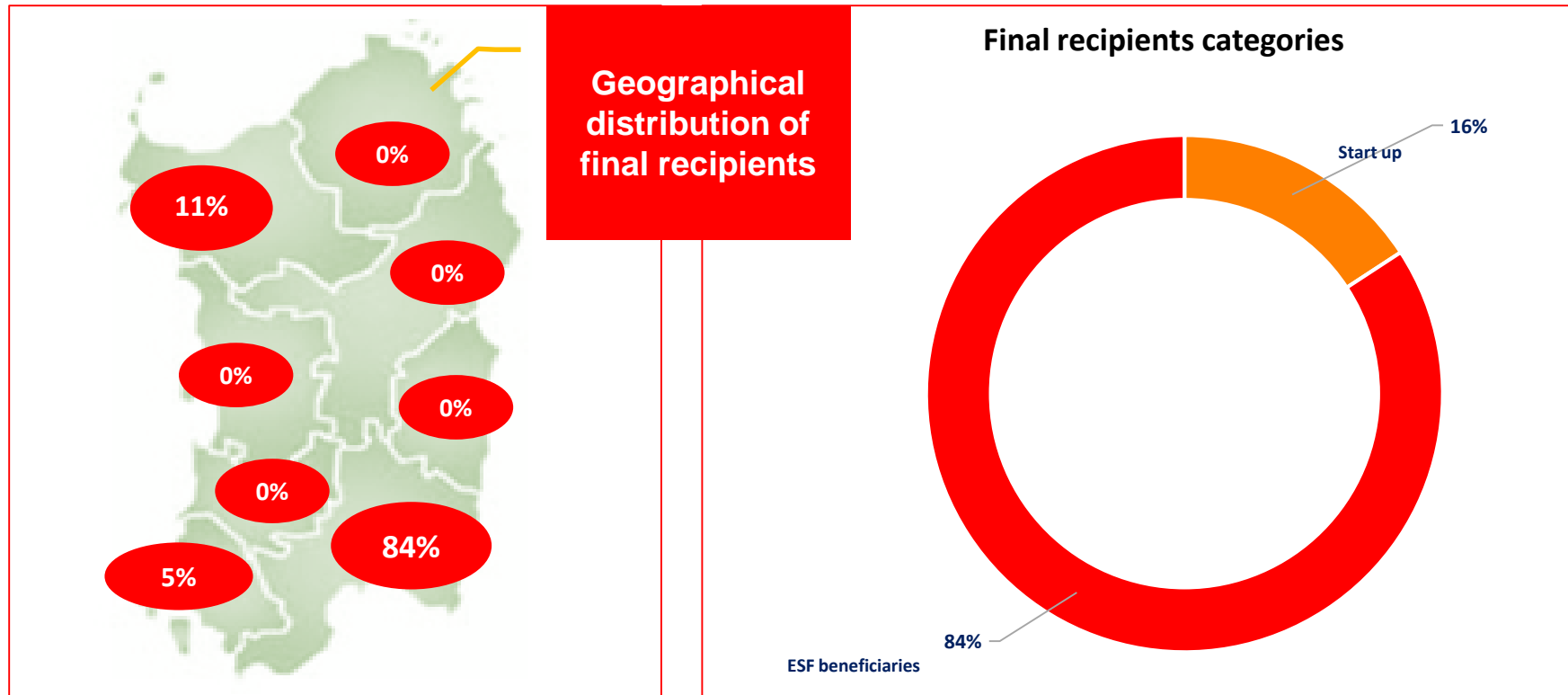


41% of enterprises supported by PISL - POIC: **women-owned SMEs**

FIs in the ROP 2007/2013: some results at territorial level (3/4)



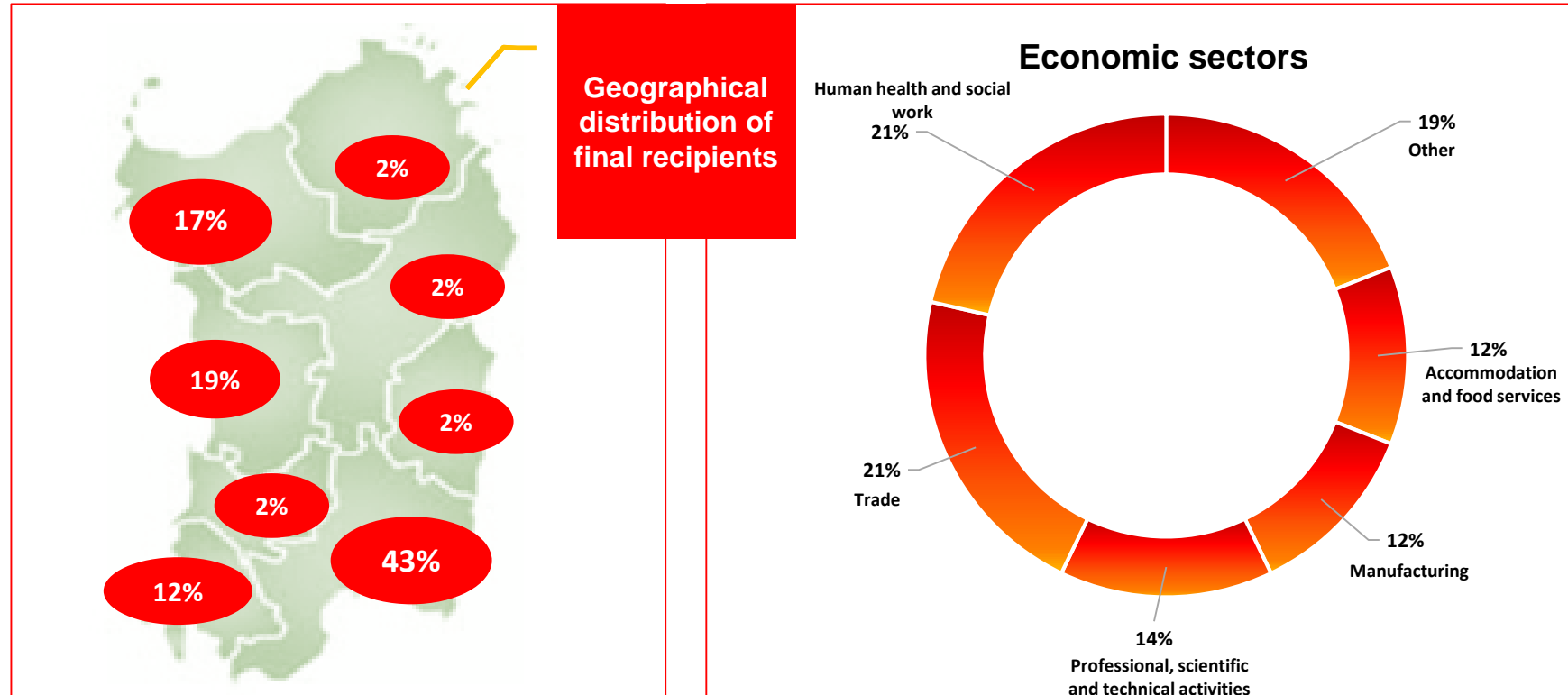
Fondo Regionale di Finanza Inclusiva



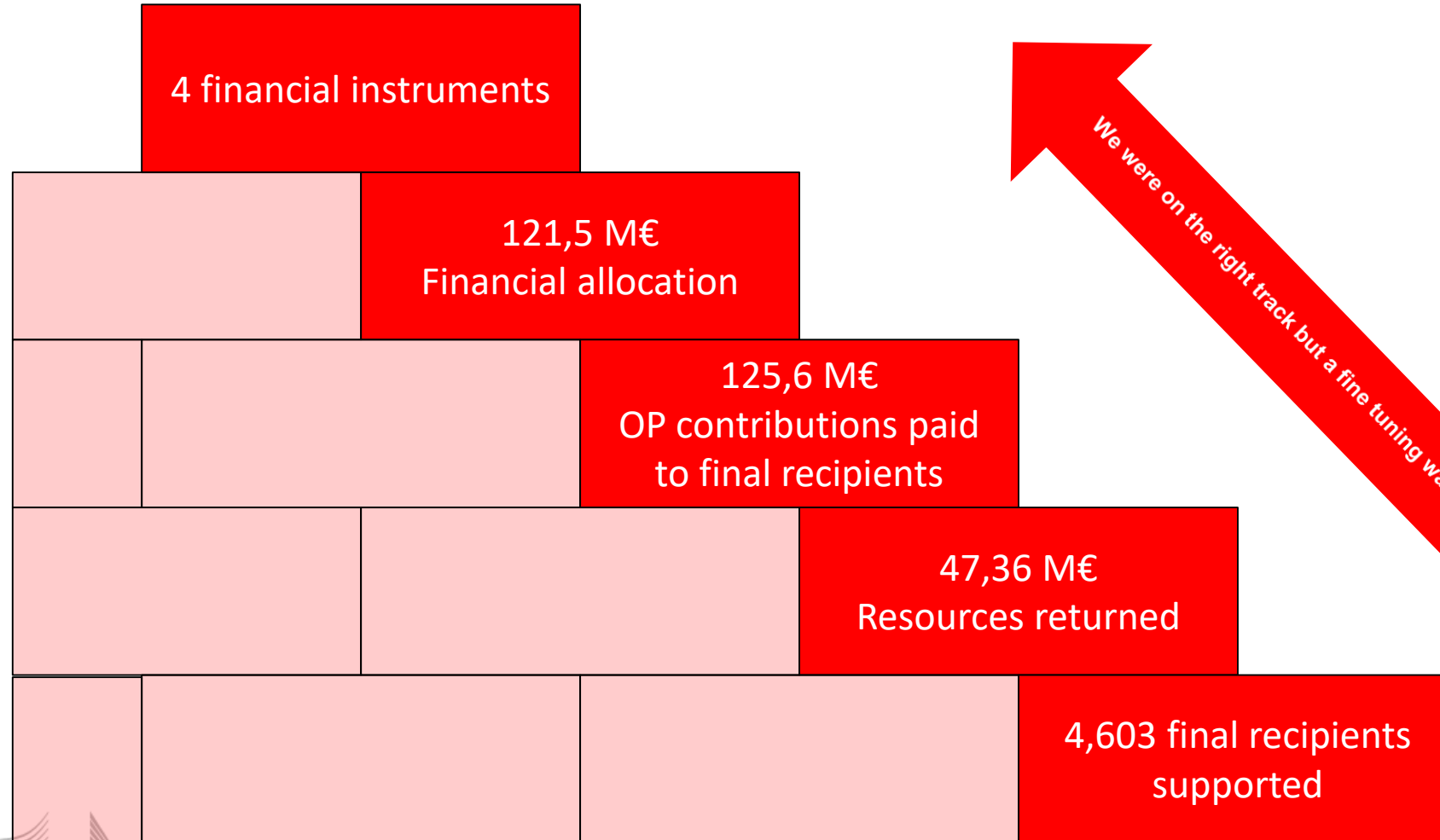
FIs in the ROP 2007/2013: some results at territorial level (4/4)



Fondo per lo sviluppo del sistema cooperativistico in Sardegna



FIs in the ROP 2007/2013: a global view



We were on the right track but a fine tuning was required



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Financial Instruments in the Regional Operation Programme 2014/2020



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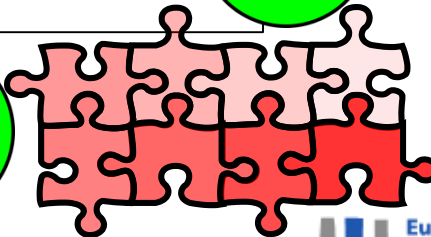
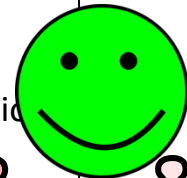
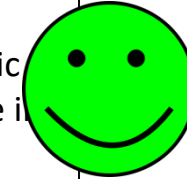


FIs in the ROP 2014/2020: ex ante assessment + lessons learnt from the past



Fondo Microcredito
Fondo PISL-POIC
Fondo per lo sviluppo del sistema cooperativistico regionale
Fondo Master and Back
Fondo Social Impact Investing

<p>Improvements required The majority of recipients who applied for a microcredit have no specific skills in running a business. It is essential to provide personal assistance in business creation (pre and post mc).</p>
<p>Weaknesses Microcredito and PISL-POIC offered similar products. The consequence: Microcredito, better known than PISL- POIC, “cannibalized” PISL- POIC (crowding- out effect).</p>
<p>Strength Financial support for the cooperative system is needed. WBO Operations Weakness: not good results in 2007/2013</p>
<p>New instrument OP ESF 2007/2013: learning mobility grants. In the new programming period, Master and Back becomes a combination of grants and loans.</p>
<p>New instrument Payment by results instrument Social enterprises (social and environmental issues)</p>



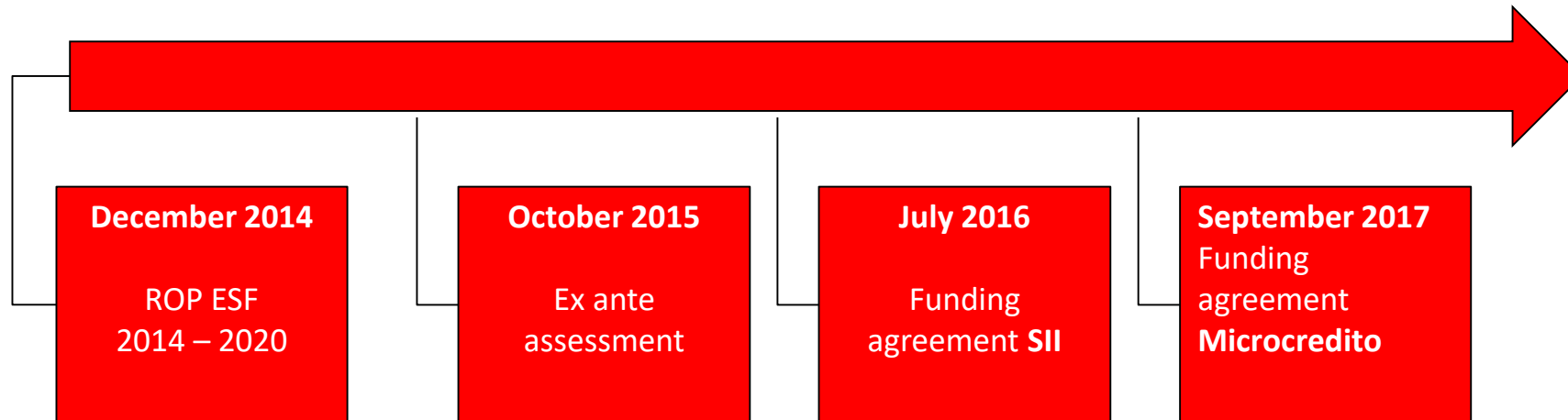
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FIs in the ROP 2014/2020



Where we are



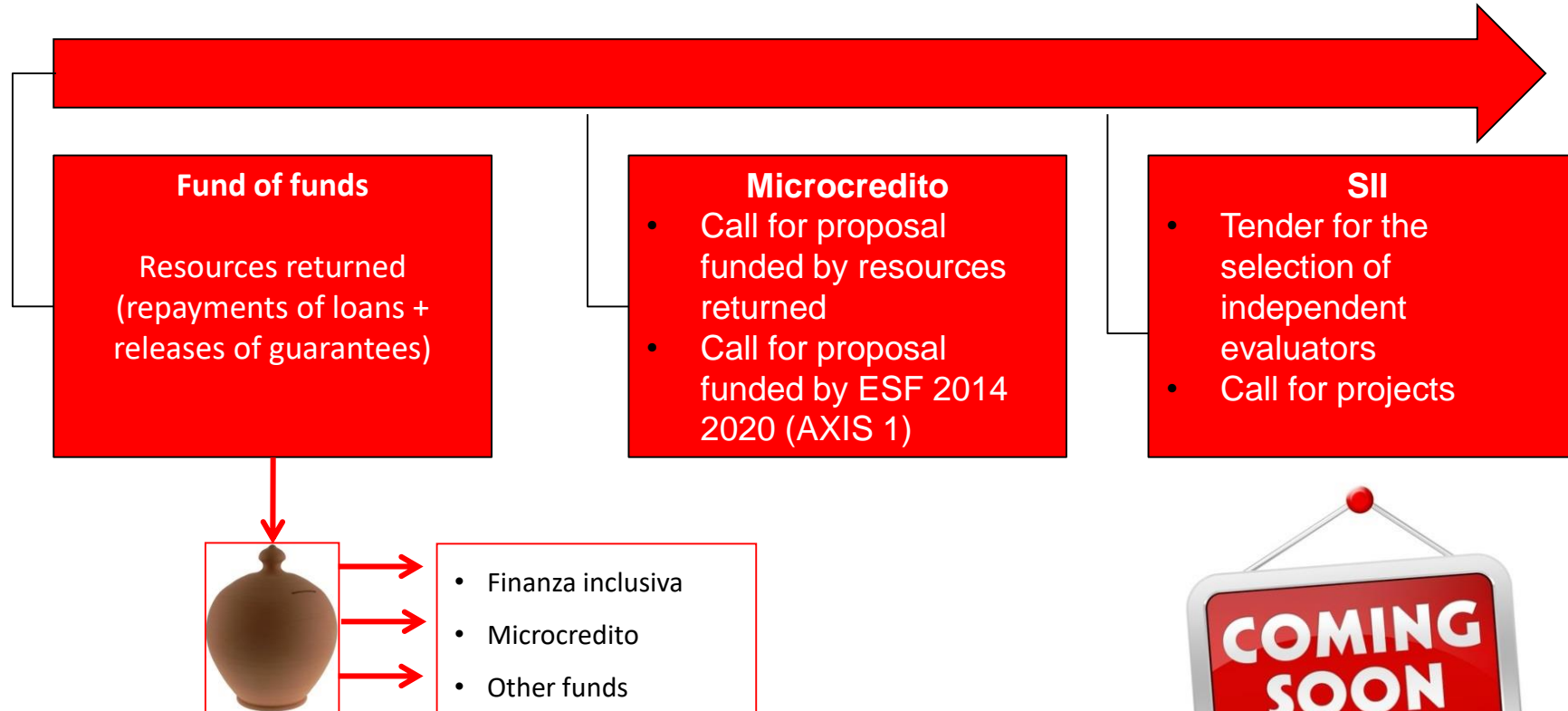
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FIs in the ROP 2014/2020



Where are we going?





Contact

Luca Galassi
Regione Sardegna
Managing Authority ROP ESF
lgalassi@regione.sardegna.it





**Fondo per lo sviluppo del sistema cooperativistico in Sardegna
'Workers Buy-Out' (WBO)**

Luca Galassi, Managing authority of the ESF
Regional OP, Sardinia, Italy



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Why has Sardinia Region decided to implement the Fund for financial support for the cooperative system

The **Sardinia Region** recognizes the strategic role of the cooperative system in **Economic and Social Development**.

Since a long time, the **Sardinia Region** has adopted policies aimed at encouraging the development of the **cooperative businesses** through *ad hoc* financing.

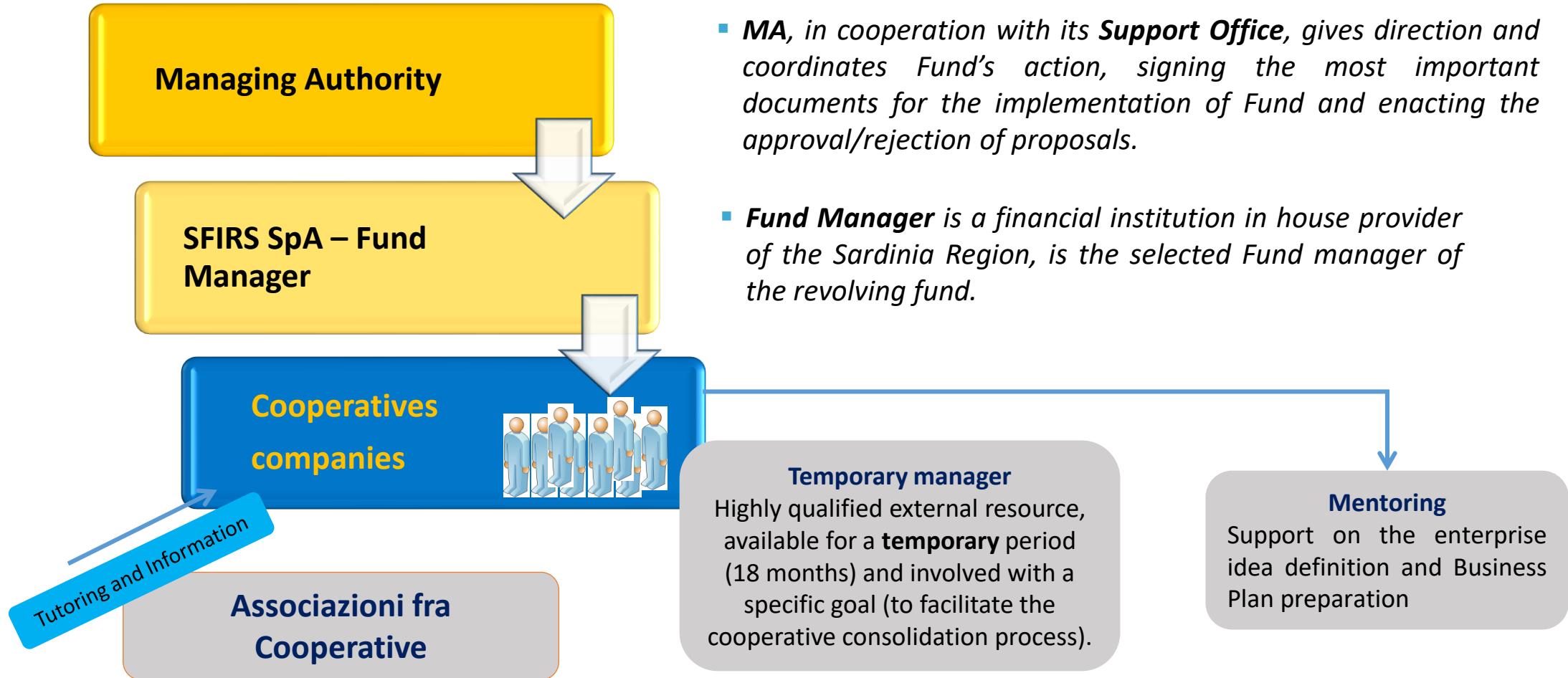
Implementing a specific Fund, the Sardinia Region wanted to integrate existing policies in an innovative way to offer financial support for the cooperative system by using **ESF OP 2007-2013 resources**.

Regional Council Deliberation 31/17 of 5 August 2014

- **Sardinia Region set-up a revolving risk capital Fund aimed at supporting the process of capitalisation of Sardinian cooperative businesses.**



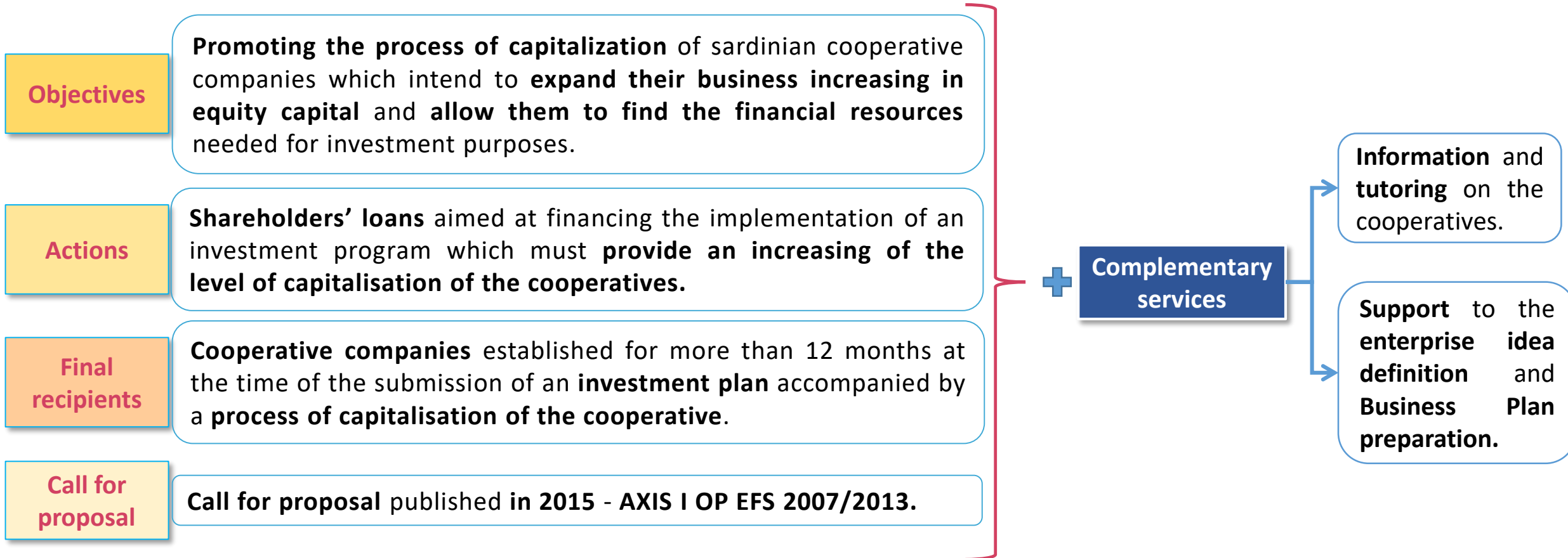
Roles of the institutions implementing the Fund



- **MA**, in cooperation with its **Support Office**, gives direction and coordinates Fund's action, signing the most important documents for the implementation of Fund and enacting the approval/rejection of proposals.
- **Fund Manager** is a financial institution in house provider of the Sardinia Region, is the selected Fund manager of the revolving fund.



Main features of the Fund – first Call for proposal 2015





How does a shareholder loan work?

Shareholder loan is technically an **equities advance** where the loan tranches, which have been repaid by the cooperative, **increase its equity capital of the same amount**, through an **increase in share capital or/and the creation of a share capital reserve**.

The fund operates as follows:

Capital repayments of the shareholder loan shall only be paid by the members of the cooperative who accept the obligation to reimburse them to the Fund.

Monthly payment of interests – if required – is charged to the cooperative funded.

The members have the obligation to approve the capital increase and/or create a share capital called «Riserva in conto capitale» at least equal to the amount of the shareholder loan required.



Testing and implementation of new WBO - Measures 1/2

Taking into account the results achieved by the Fund and the FIS OP 2014-2020 ex-ante assessment, the Sardinia Region decided to review and integrate the Fund strategy testing and implementing an additional action designed to support WBO initiatives.

Regional Council
Decision 52/28 of 28
October 2015



- Enhancing the financial support for the cooperative system
- Funding set aside for this financial instrument has been reviewed
- Implementation of innovative measures focused on “Workers buyout (WBO)”



Testing and implementation of new WBO - measures 2/2

- **Second Call for proposal published in 2017 - AXIS I and AXIS II OP EFS 2007/2013**
- **Provision of reimbursable and rotating contributions awarded in the form of shareholder loans.**

The Call includes two actions:

1

Action focused on the provision of shareholder loans to sardinian cooperative companies

2

“Workers Buy-Out” (WBO) action for the implementation of measures, giving the opportunity to employees of companies at risk of business disruption, to set up a cooperative company and enter, through the repayment of the loans provided by the Fund, the shareholding structure.



The WBO Action

Actions

Loans **designed for cooperatives formed by workers of companies in difficulty aimed at continuing their business**

Innovative measures

Test and implementation of innovative **Workers Buy-Out (WBO)** measures, giving the opportunity to employees or ex-employees of companies, for which it is necessary an increase of capitalisation and a guarantee of business continuity, to set up a cooperative company and enter the shareholding structure through the repayment of the loan provided by the Fund



Fund for financial support for the cooperative system OP 2007-2013 - Final recipients

The following **categories** of subjects are the **Fund recipients** :

Cooperative companies based in Sardinia - also newly established or in the process of being established - **submitting an investment plan accompanied by a process of capitalisation of the cooperative.**

As regards **action n. 2**, intended to support “Workers Buy-Out” actions (WBO), the members of the cooperatives **must be employees of companies at risk of business disruption**. More precisely, the company structures of the same cooperative companies **must be composed**, for the absolute majority, **by employees of companies at risk of business disruption**; these companies must operate in economic sectors identified by the 2007 ATECO classification with the same business activity code as the company of origin.



Shareholder loan main features 1/2

Financial support for the cooperative is not a pure equity capital injection but a shareholder loan

Action 1

Up to Euro 60.000, per cooperative, reimbursable at zero interest-rate.

Pay back period: 5 years (maximum).

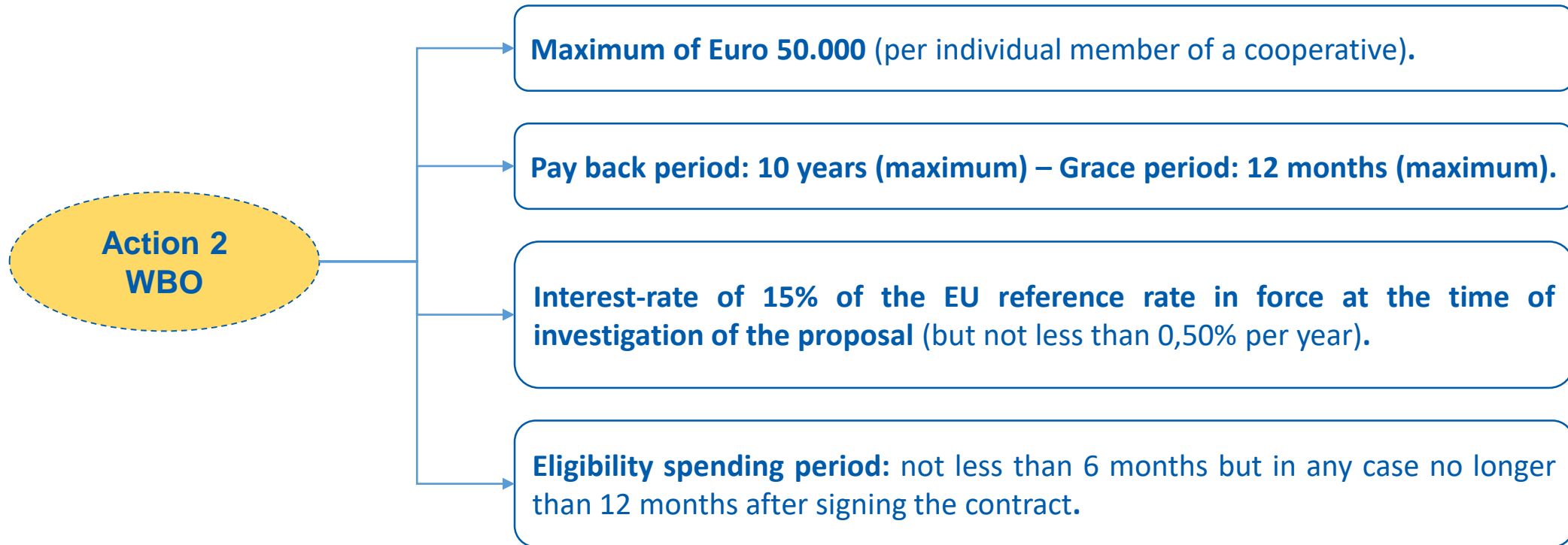
Eligibility spending period: not less than 6 months but in any case no longer than 12 months after signing the contract.

Minimum of Euro 21.000 and maximum of Euro 120.000.

From Euro 60.001 to Euro 120.000 per cooperative, reimbursable at a fixed-rate interest of 15% of the EU reference rate in force at the time of investigation of the proposal (but not less than 0,50% per year).



Shareholder loan main features - supporting WBO measures 2/2





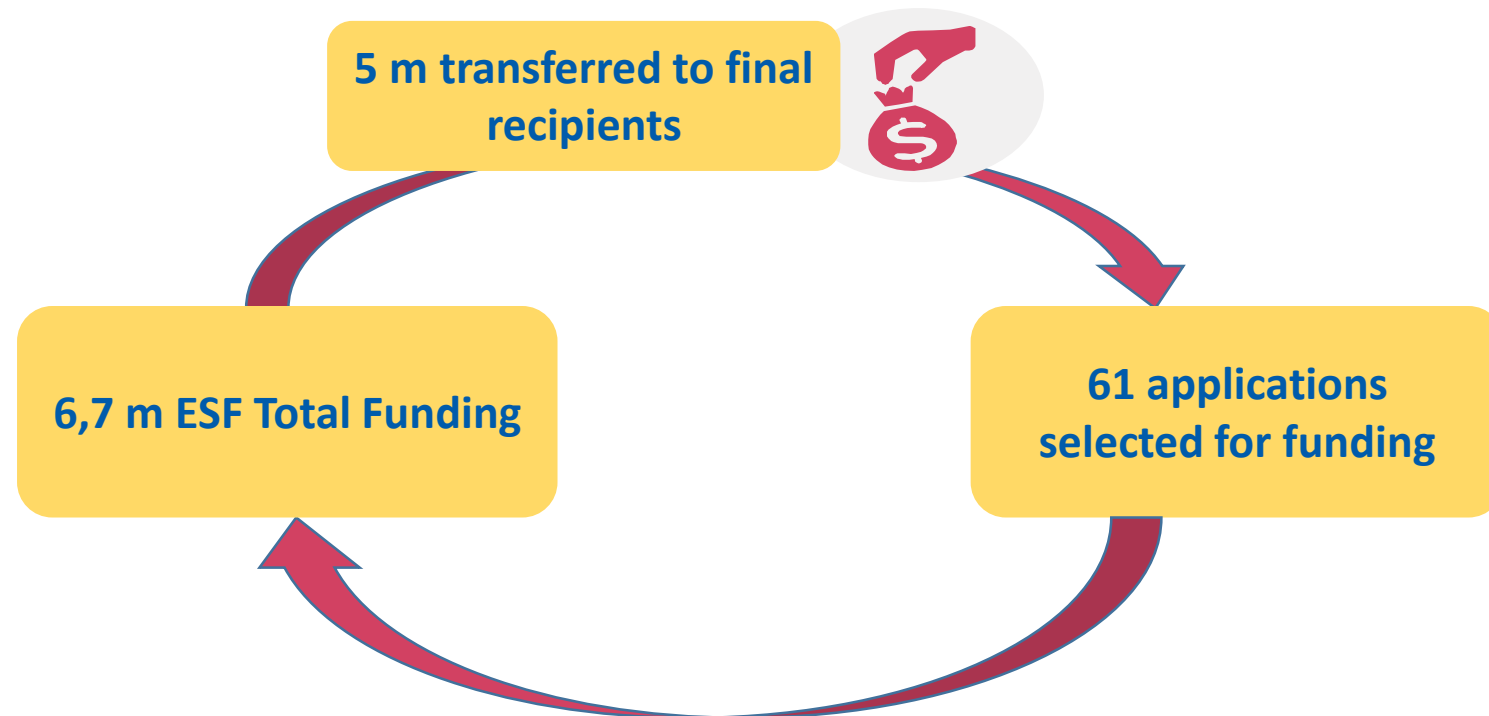
Business plan and eligible costs

In order to grant the loan, each cooperative must prepare and submit a Business Plan, in accordance with the company objectives in terms of increasing of the production capacity, the production of new products or the modification of the existing one, etc. and may include innovative investments or investments aimed at developing internal skills, marketing and internationalization plans.

	<i>Description</i>
Eligible costs for funding	<ul style="list-style-type: none">▪ Fixed investment costs with regard to plant and equipment, machinery, furniture, etc directly linked to the business activity within the limit of 50% of the amount of the loan provided.▪ Costs for the inclusion of a temporary manager within the limit of 25% of the amount of the loan provided.▪ Costs related to the increase in working capital requirement.



Fund for financial support for the cooperative system OP 2007-2013 - Numbers



*Where are we going with
EFS OP 2014-2020?*



**COMING
SOON**



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Contact

Luca Galassi
Regione Sardegna
Managing Authority ROP ESF
lgalassi@regione.sardegna.it



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financial instruments revolving capacity building
 added value **ERDF** funding agreement **ESF** EU guidance
 governance technical support seminars leverage financial intermediaries microfinance
 co-financing **ESIF** case studies
 investments **fi-compass** final recipients
 business plan **Thank you** thematic objectives
 advisory services guarantees banks loans **EaSI** equity
 private investors life cycle combination of support
EAFRD conferences factsheets
 fund of funds **EMFF** investment strategy **CF**
 managing authorities manuals