



Country Report
April 2025

ESF+ Study on Workers' Buyout ITALY



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ITALY

Country Report





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Abbreviations

Abbreviation	Full name
AGCI	General Association of Italian Cooperatives (Associazione Generale Cooperative Italiane)
BNL	National Labour Bank (Banca Nazionale del Lavoro)
CCFS	Cooperative financial intermediary structure (Consorzio Cooperativo Finanziario per lo Sviluppo)
CFI	Business Finance Cooperation (Cooperazione Finanza Impresa)
Confcooperative	Confederation of Italian Cooperatives (Confederazione Cooperative Italiane)
EaSI	EU Programme for Employment and Social Innovation
EC	European Commission
ECB	European Central Bank
EIB	European Investment Bank
EIF	European Investment Fund
ESF+	European Social Fund Plus
EU	European Union
EUR	Euro (euro)
Invitalia	National Agency for Development (l'Agenzia nazionale per lo sviluppo)
NSCF	National Social and Cohesion Fund (Fondo nazionale sociale e di coesione)
SMEs	Small and Medium-sized enterprises
SOFICOOP	Financial Company for Cooperation of Production and Social working cooperation (Società Finanziaria per la Cooperazione di produzione e lavoro soc. Coop.)
WBO(s)	Worker's buyout(s)

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Italy is a country with a deep-rooted and long-established cooperative culture. In this context the first specific Law 49/1985 on measures for credit to cooperatives and urgent measures to safeguard employment levels (the Marcora Law) was introduced in 1985 to support the takeover of businesses by workers in the form of a cooperative¹. The Marcora law and its subsequent amendments and additions have therefore become the legal reference framework that has supported the creation of 342 workers' buyout (WBO) operations involving more than 10 000 employees.

In Italy, WBOs take place in the form of a cooperative and most are established from companies in crisis through business conversions and restructuring mechanisms. WBOs in enterprises without successors are less frequent. Furthermore, there are also cases of WBO that arise from companies being confiscated from organised crime by public authorities or that have not gone through the traditional institutional channels and have not benefited from support provided by the Italian legislative framework.

This country report is part of the fi-compass ESF+ Study on Worker's Buyout² undertaken at EU level with a focus on mapping the WBO frameworks in France, Spain, Italy and Slovenia and aimed at enhancing ESF+ managing authorities' capacities to assess use of their programme resources in support of WBOs.

The report is organised in nine chapters and aims to present the current situation of WBO in Italy, with a focus on the legislative framework to support WBO operations and its evolution over time. The analysis of the demand and supply side (both public and private) gives an overview of the main characteristics of the market gap. There are three company case studies of WBO experiences and the results are summarised into key findings. The final chapters explore the potential application of the European Social Fund Plus (ESF+) and other European Union (EU) funding resources, concluding with pertinent recommendations.

1 Law 49/1985 of 27 February 1985 on measures for credit for cooperation and emergency measures safeguarding employment levels (Legge 49/1985/49 del 27 febbraio 1985 provvedimenti per il credito alla cooperazione e misure urgenti a salvaguardia dei livelli di occupazione). Accessed on 25 October 2023, available at: <https://www.gazzettaufficiale.it/eli/id/1985/03/05/085U0049/sg>.

2 fi-compass, 2025, ESF+ Study on Worker's Buyout, available at: <https://www.fi-compass.eu/library/market-analysis/esf-study-workers-buyout>.

02

Current WBO situation in Italy

Since the introduction of a specific legislative framework in 1985 to support WBO operations in Italy, 342 WBOs have been mapped, with the highest concentration in the central and north-eastern regions. Of these, approximately 38% are still active today. The average lifespan of these operations is 18 years³.

The Italian context is characterised by several players providing both financial and non-financial support to WBO. These include the institutional investor Cooperazione Finanza Impresa (Business Finance Cooperation, CFI), mutual funds, cooperative associations, regional agencies, guarantee consortia of the cooperative movement, cooperative-friendly private credit institutions and trade unions. These players operate in a well-developed legislative framework, structured around the Marcora law, which provides different funding instruments to support WBOs. The current applicable legal framework, and its evolution over time, is described in the next section.

2.1 Applicable legal framework

The Marcora law aims to support workers in temporary layoffs through the Redundancy fund (Cassa Integrazione Guadagni) or other unemployment subsidy schemes to save, acquire, and restart insolvent small and medium-sized enterprises (SMEs) through the establishment of new cooperatives. This law, subsequently reformed in 2001, is part of a complex legal system that involves insolvency, industrial and social security laws. It has also been reinforced by complementary cooperative legislation that provides additional benefits for cooperative enterprises.

Specifically, the Marcora law establishes two funds through the state budget:

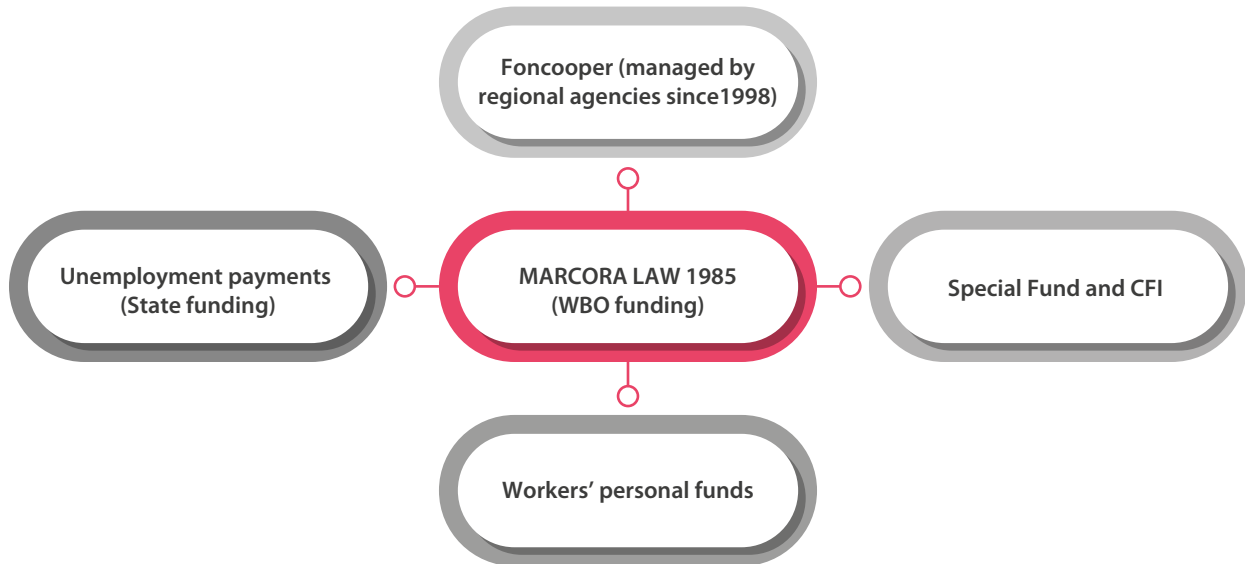
- The Foncooper⁴ is a revolving fund that provides subsidised financing to cooperatives.
- The Special Fund⁵ provides economic contributions to institutional investors, CFI and Financial Company for Cooperation of Production and Social working cooperation (Societa Finanziaria per la Cooperazione di produzione e lavoro soc. Coop., SOFICOOP) to participate in the capital of worker-recovered companies. Both investors have operated since 1986 as the instruments to implement the Marcora law - set up with 'a specific mission of public interest'. By 2021, they had financed 536 cooperative companies – not just WBOs – and invested EUR 282 million. CFI incorporated SOFICOOP in 2019.

³ *Areastudi Legacoop*. [Online]. Accessed on 30 October 2023, available at: <https://areastudi.legacoop.coop/>.

⁴ More information about Foncooper is available at: <https://www.foncooper.it/>.

⁵ Special fund for interventions to safeguard employment levels (Fondo speciale per gli interventi a salvaguardia dei livelli di occupazione).

Figure 1: WBO funding instruments under the Marcora law.



Source: Author, based on Rieger, S. (2016), Reducing Economic Inequality through Democratic Worker-Ownership, Report Economy & Jobs, The Century Foundation.

Initially, the allocation of public funding for the acquisition, through the participation of the institutional investors, was regulated at a ratio of three to one between public investment and worker investment, and the provisions of the Special Fund were considered completely non-repayable. The Marcora law was revised in 2001 by the Law of 57/2001 on provisions on the opening and regulation of markets⁶ (Law on regulation of markets) to comply with European Commission (EC) requirements⁷, and to expand its scope to include worker cooperatives and social cooperatives which do not come from acquisition processes by workers, providing funding for their establishment and development projects. Furthermore, the law prohibits the provision of non-repayable grants and replaces them with risk-based debt financing. It limits the ratio between the debt capital subscribed by institutional investors and the capital subscribed by cooperative members to one to one. It also imposes a maximum limit of 10 years for the repayment of capital subscribed by institutional investors and regulates the repayment of the financing, requiring cooperatives to return at least 25% of the funds received in the first five years of activity. The provisions of the Special Fund have been continuously and consistently refinanced and expanded to cope with an increasing number of applications. As for the acquisition procedures, the Marcora law also included the right of first refusal on the assets of insolvent companies⁸.

6 Law 57/2001 of 5 March 2001 on provisions on the opening and regulation of markets (Legge 5 marzo 2001, n. 57: Disposizioni in materia di apertura e regolazione dei mercati). Accessed on 25 October 2023, available at: https://www.tuttocamere.it/files/attivita/2001_57.pdf. Legge 57/2001/57 del 5 marzo 2001 disposizioni in materia di apertura e regolazione dei mercati). Accessed on 25 October 2023, available at: https://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2001-03-20&atto.codiceRedazionale=001G0113&elenco30giorni=false.

7 In particular, the provisions related to the Special Fund led the EC to initiate an infringement procedure in 1993 due to non-compliance with the EU State Aid Directive and competition laws. As a result, activities related to the Marcora law were interrupted until the reform of 2001.

8 With the right of first refusal, workers can decide whether to purchase the enterprise ahead of any other prospective buyer. However, the 2001 revision repealed this right. It was then reintroduced in 2013 together with a favourable tax agreement for financing deriving from the Marcora funds.



Moreover, as already mentioned, there are several laws that complement the provisions of the Marcora law. The key features have been introduced with the following legislative interventions:

Table 1: Italian legislative complements of the Marcora law.

Year	Description	Further development
1991	Workers can receive their temporary unemployment benefit in advance to be converted into cooperative capital ⁹ .	Since 2019, capitalised unemployment benefit is tax-exempt. Additionally, since 2020, workers can convert their accumulated severance pay into cooperative capital, which is also tax-exempt.
1992	The mutual funds of three Italian cooperative associations were established: Legacoop, Confederation of Italian Cooperatives (Confederazione Cooperative Italiane Confcooperative, Confcooperative) and General Association of Italian Cooperatives (Associazione Generale Cooperative Italiane, AGCI) ¹⁰ . Funded by 3% of the annual profits of all cooperatives that are members of one of the three Italian cooperative associations, they aim to support the setting up and development of Italian cooperatives. Thus, these mutual funds (one for each association), similarly to institutional investors, can provide debt capital at subsidised rates and participate in the risk capital of existing or start-up Italian cooperatives, including WBOs.	None
1998	Transfer the Foncooper resources (previously managed by National Labour Bank (Banca Nazionale del Lavoro, BNL)) to the regions ¹¹ . These resources, managed by the regions through the regional agencies for economic development, are intended to finance the development and expansion plans of new or existing cooperatives through debt capital. However, not all Italian regional administrations have effectively implemented or initiated funding mechanisms for this purpose (see Supply-side analysis chapter).	None

9 Law 223/1991 of July 23 1991, on provisions concerning wage supplementation, job mobility, unemployment benefits, implementation of European Community directives, job placement, and other provisions related to the labour market, which regulates the unemployment benefit schemes in Italy (Legge 223/1991 del 23 luglio 1991 recante disposizioni in materia di integrazione salariale, mobilità lavorativa, indennità di disoccupazione, attuazione delle direttive della Comunità Europea, inserimento lavorativo e regim disposizioni relative al mercato del lavoro, che regola l'egime di indennità di disoccupazione in Italia). - Additional modifications were introduced in 2012 and 2015, with the possibility to use the New Social Security Provision for Employment (NASpl).

10 Law 1992/59 of January 31 1992 on new provisions concerning cooperative societies (Legge 1992/59 del 31 gennaio 1992, sulle nuove disposizioni riguardanti le società cooperative).

11 Legislative Decree 1998/112 of 31 March 1998 on conferral of State administrative functions and tasks to the regions and local authorities (Decreto legislativo 1998/112 del 31 marzo 1998, sul conferimento di funzioni e compiti amministrativi dello Stato alle regioni e agli enti locali). Accessed on 25 October 2023, available at: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:1998-03-31;112lvig=>.



Year	Description	Further development
2014	The Legislative Decree 651/2014 on establishment of a new aid regime aimed at promoting the creation and development of small and medium-sized cooperative companies (The New Marcora law) introduced an additional complementary source of financing for worker and social cooperatives in Italy ¹² . This scheme provides debt capital at subsidised rates to small and medium-sized cooperatives, increasing the existing financial resources available to workers, allowing them to obtain up to five times the initial risk capital invested by CFI (i.e. for an amount not exceeding five times the value of the participation already held by the CFI in the beneficiary cooperative, capped at a limit of EUR 2 million) ¹³ . The interest rate is 0%, and the repayment of the debt must be made within 12 years.	This was later reinforced by the Decree of 4 January 2021, New aid regime for public support for the creation and development of cooperative companies.

Source: Author.

12 Legislative Decree 651/2014 of 4 December 2014 on establishment of a new aid regime aimed at promoting the creation and development of small and medium-sized cooperative companies (Decreto legislativo del 4 dicembre 2014 recante istituzione di un nuovo regime di aiuti volti a favorire la creazione e lo sviluppo delle piccole medie imprese cooperative). Accessed on 25 October 2023, available at: https://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2015-01-03&atto.codiceRedazionale=14A10125&elenco30giorni=true.

13 Only cooperatives that benefit from CFI's own capital can access the financing of the New Marcora law, while other cooperatives must first apply for CFI's risk capital investments.

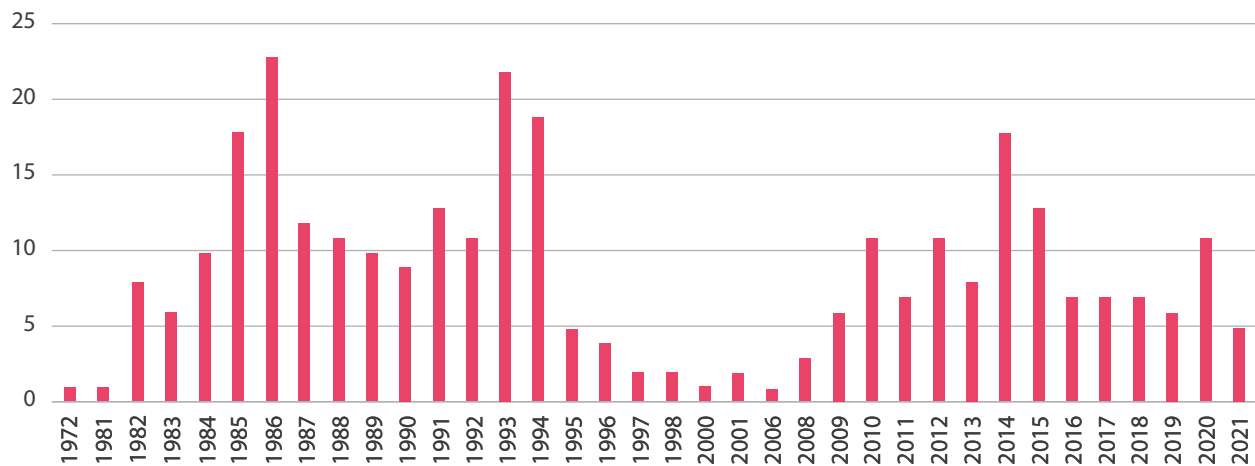


03

Demand-side analysis

The Areastudi Legacoop database¹⁴ indicates there have been 342 WBOs in Italy since 1985. Despite the suspension of activity following the EC's Marcora law infringement procedure in the late 1990s and early 2000s, the number of worker-recovered enterprise operations in Italy has generally remained relatively constant over the years. As observed by Vieta (2015)¹⁵ and evident from the peaks in the graph (notably the period following the 1990 and 2008 recessions and in the year of the pandemic, 2020), macroeconomic recessions or market difficulties appear to have a clear influence on the emergence of WBO operations.

Figure 2: Number of WBOs by year of establishment.



Source: Author, based on Areastudi Legacoop¹⁶.

There have been more WBOs in the central and north-eastern regions of the country. Approximately 38% are still active today, employing around 4 000 workers, with the highest concentration in three regions - Umbria, Marche, and Emilia-Romagna. WBOs from before 2003 (i.e. the date of the reform, Law on regulation of markets of the Marcora law¹⁷) have recorded an average lifespan of 18 years¹⁸.

14 Areastudi Legacoop [Online]. Accessed on 30 October 2023, available at: <https://areastudi.legacoop.coop/>.

15 Vieta M. (2015), 'The Italian Road to Creating Worker Cooperatives from Worker Buyouts: Italy's Worker-Recuperated Enterprises and the Legge Marcora Framework', EURICSE, Vol.78, No15, pp. 1-35.

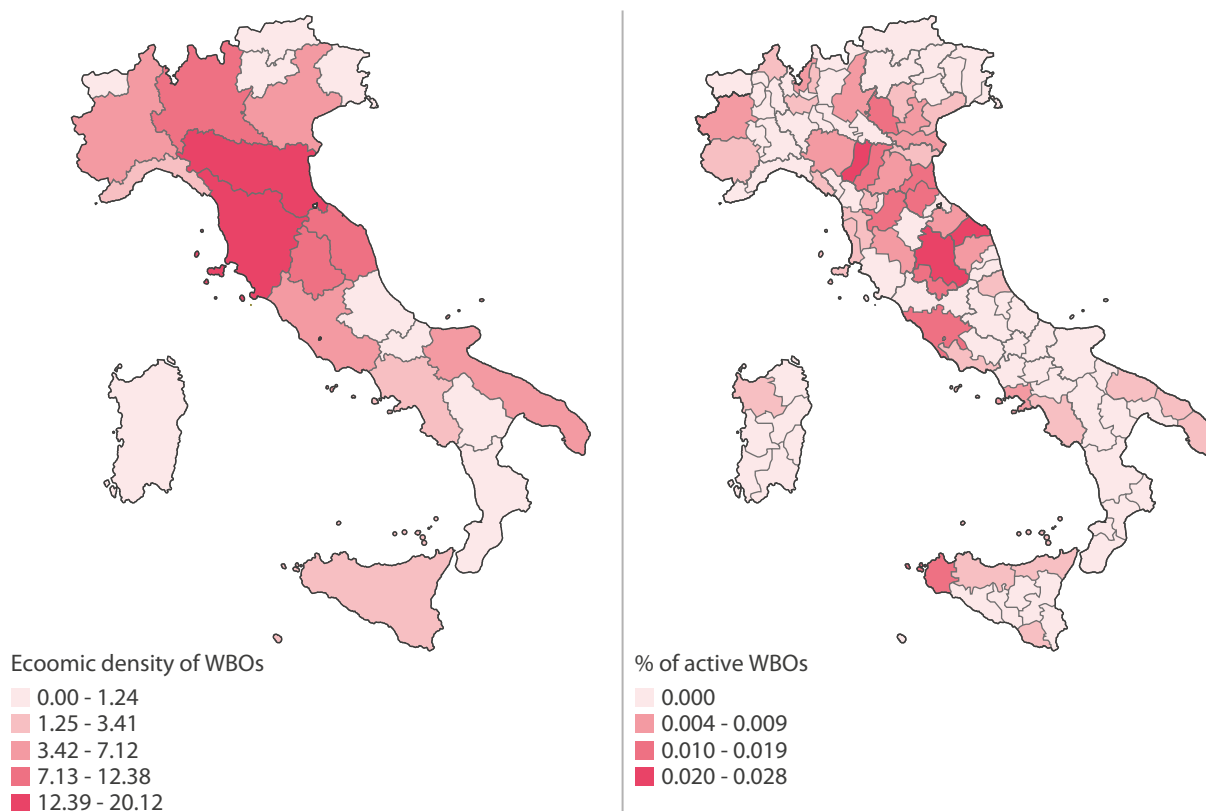
16 Areastudi Legacoop [Online]. Accessed on 30 October 2023, available at: <https://areastudi.legacoop.coop/>.

17 Law 57/2001 of 5 March 2001 on provisions regarding opening and regulation of markets (Legge 5 marzo 2001, n. 57: Disposizioni in materia di apertura e regolazione dei mercati). Accessed on 25 October 2023, available at: https://www.tuttocamere.it/files/attivita/2001_57.pdf.

18 Based on Bernardi A., Cori A., Granata M., Lelo K., and Monni S (2022a), 'Rescuing firms in a co-operative way: worker buyouts in Italy, Entrepreneurship and Sustainability', Vol. 10, No 1, pp. 242-260. Two success factors were assessed in the paper: the average lifespan and survival rate. The average lifespan was calculated only for the cooperatives established before the reform (this is because newly established cooperatives, even if still active, with few years of activity, would have lowered the average longevity value, not reflecting a truthful result). Instead of the average lifespan, the survival rate was evaluated for all WBO cases (38%) and specifically for cooperatives established after the reform (71%).



Figure 3: WBO distribution in Italian regions, left side (2020), and percentage of active companies out of total WBOs by province, right side (1987-2020).



Source: Author, based on Bernardi et al. (2022a)¹⁹, p.247 and p.250.

Note: In the map on the left, economic density, or business density, is defined as the number of WBOs per region out of the total number of WBOs in Italy.

3.1 Specific sectors

The majority (some 80%) of WBOs have been in the manufacturing sector. This finding is in line with results reported in other studies^{20,21,22} and can likely be attributed to the unique composition of the Italian manufacturing sector, primarily made up of SMEs. Within manufacturing, WBO tend to be concentrated in traditional categories and those associated with the renowned Made in Italy production, such as fashion and leather goods, industrial design, glass, and ceramics. WBOs are also found in the service sector, particularly in logistics and transportation, as well as services linked to the film, information, and communications industries. Moreover, according to the analysis²³ approximately 63% of cooperatives set up through WBOs are or have been members of cooperative associations, highlighting the primary role these business associations play in facilitating the transformation process.

19 Bernardi, A., Cori, A., Granata, M., Lelo, K., Monni, S. (2022a), Rescuing firms in a co-operative way: worker buyouts in Italy, *Entrepreneurship and Sustainability*, Vol. 10, No 1, pp. 242-260.

20 Vieta, M., Depedri, S. (2015), Companies recovered in Italy (Le imprese recuperate in Italia), *EURICSE*, Vol. 3, No15.

21 Vieta, M., Depedri, S., Carrano, A. (2017), 'The Italian road to recuperating enterprises and the Legge Marcora framework: Italy's worker buyouts in times of crisis', *EURICSE*, Vol. 15, No 17.

22 Bernardi, A., Cori, A., Granata, M., Lelo, K., Monni, S. (2022a), Rescuing firms in a co-operative way: worker buyouts in Italy, *Entrepreneurship and Sustainability*, Vol. 10, No 1, pp. 242-260; Bernardi, A., Cori, A., Granata, M., Lelo, K., Monni, S. (2022b), Mapping Worker Buyouts in Italy, 33rd CIRIEC International Congress (33° Congreso Internacional del CIRIEC), Valencia, 13-15 June 2022.

23 Bernardi, A., Cori, A., Granata, M., Lelo, K., and Monni, S. (2022a), 'Rescuing firms in a co-operative way: worker buyouts in Italy, *Entrepreneurship and Sustainability*, Vol. 10, No 1, pp. 242-260.



3.2 Reasons for WBOs

Data through to 2020, shows that worker-recovered companies record an overall capital of EUR 52.6 million and a net worth of EUR 95.8 million, with a total turnover of EUR 472.6 million, generating EUR 1.4 million in profits. The type of company that has predominantly been subject to WBO in Italy is therefore a company with a turnover of less than EUR 100 million, in an advanced crisis state. They are often undergoing bankruptcy procedures, operating in industrial sectors that are generally mature and often unattractive to other entrepreneurs, especially during certain economic phases.

The governance structure follows the typical model of worker cooperatives, with a General Assembly (one person, one vote) that elects a Board consisting of at least three members delegated to manage the business. These companies are initially leased and then purchased by the group of employees who are the most motivated and likely have fewer alternatives. They do so through a worker cooperative legal form, of which they become members, by investing their unemployment benefit/severance pay as a lump sum to capitalise the cooperative. In addition to the resources invested by the workers, there are also public resources (particularly from CFI and regional funds) and private resources (cooperative mutualistic funds, Banca Etica, and local cooperative banks), as well as the possibility of accessing guarantees from the cooperative guarantee consortia to secure part of the debt. Specifically, CFI and cooperative mutualistic funds operate both in partnership and individually by providing equity capital and debt capital at favourable rates.

However, despite the availability of these tools, the gap between financial requirements and availability often proves to be a critical factor in the failure of a WBO, impacting both the financing of fixed investments and the support of working capital.

3.3 Constraints for WBOs

From the interviews for the case studies of selected WBO companies, several key issues emerged that have influenced the growth of these cooperatives and put their business continuity at risk. These difficulties include:

- The need to include professional figures from the beginning of the project in areas where the members/workers are found to be lacking in skills (management, administration, marketing, etc.).
- The lengthy bureaucratic processes involved in certain steps of the business acquisition process (such as obtaining unemployment benefits/severance pay in advance) often do not align with the deadlines imposed by the closure of liquidation procedures.
- The low financial rating often associated with worker-recovered businesses increases the cost of credit in cases where it is granted.
- More generally, in the initial stages, cooperatives complain about difficulty in accessing credit due to the distrust of financial institutions.

This last point becomes crucial when WBOs, coming from a previously failed company, often find themselves immediately forced to renew their production facilities to be competitive in the market.

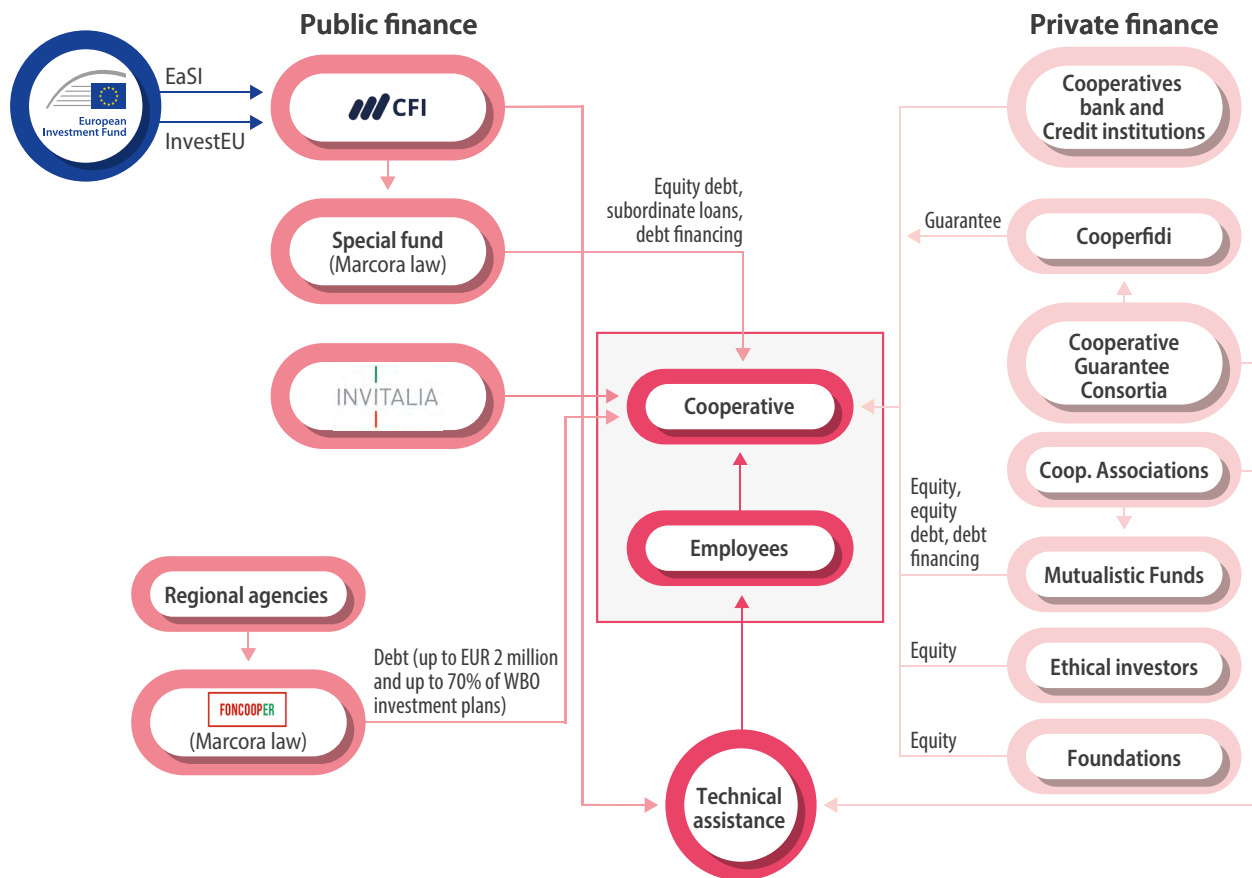


04

Supply-side analysis

The regulatory framework supporting WBOs and, more generally, cooperatives in Italy is highly structured, and encompasses specific financial instruments for WBO recovery, both from the public and the private sector.

Figure 4: The financial supply side for WBO in Italy.



Source: Author.

Financial resources for WBO firstly come from employees' resources (by using, for instance, advance unemployment benefits). The remaining financial support can then be provided by institutional investors using the different instruments set-up by the Marcora law (CFI managing the Special Fund, and regional agencies managing Foncooper resources) or their own resources (as in the case of the National Agency for Development (l'Agenzia nazionale per lo sviluppo, Invitalia)) and providing WBO with different financial products (debt and/or equity instruments).



Additional resources can come from private finance, where the cooperative network plays a crucial role. This is represented by the cooperative guarantee consortia managing guarantees, which can reduce the investment risk of private credit institutions in providing financial resources, normally in the form of debt financing, to WBOs. Moreover, as shown in the case studies, there are several other ways to contribute with equity instruments to the WBO's capital. Other than investments made by other investors or foundations, the financial support of the mutual funds managed by the three main Italian cooperative associations provide significant resources for WBO. Moreover, these associations, together with the guarantee consortia, also contribute to WBO operations in terms of technical assistance, and are fundamental in filling the experience and knowledge gap of workers and improving their skills and competence in managing a WBO operation.

4.1 Analysis of supply of public finance

4.1.1 CFI

The allocation of public resources for such operations is primarily overseen by CFI. Its operations are financed with the 'Special Fund', created with the Marcora law for the institutional investors (see below) mandated to subsequently conduct investments in cooperatives. The Italian Ministry of Economic Development holds the majority stake in CFI, controlling 98.6% of its capital. Other members are 393 cooperatives, the mutual funds (see Chapter 4.2), and Invitalia²⁴, the Italian development agency²⁵. CFI was established in 1986 as a private institutional investor in the form of a cooperative. It was promoted by Cooperative Confederations to manage the funds issued with the Marcora law. Its primary goal is to provide financial and management support to social and worker cooperatives, including those formed through the transfer of businesses to employees. CFI offers both equity capital and debt capital, tailoring its approach based on the project's characteristics and the financial-economic profile of the cooperative. The maximum duration of capital participation is 10 years, 25% must be repaid within first five years, and the remaining 75% within second five years. In addition to equity capital, CFI finances WBOs through various lines of debt capital interventions²⁶:

- 10-year financing to support investment plans, including favourable financing²⁷ (interest rate at 0%) for working capital.
- Subordinated loans and participatory loans to enhance business capitalisation.

The recipients are SMEs – start-ups, development, consolidation, and repositioning – as defined by the EU²⁸, operating as production and labour cooperatives or social cooperatives.

Between 1986 and the end of 2022, CFI supported 586 cooperatives and more than 27 000 workers. In the period from 2011 to 2022, CFI approved 162 financing operations in 92 WBO deals, amounting to an investment of EUR 45.9 million²⁹. In 2022, support for WBOs amounted to 44% of the total CFI financing for 20 cooperatives with a total of EUR 6 million disbursed³⁰, followed by financing other workers' cooperatives (38%) and social cooperatives (18%). Of the WBO support, 39% was for new operations (i.e. nine cooperatives) and 61% for established WBO operations (i.e. 11 cooperatives). The average financial support was EUR 304 000 per cooperative in 2022, or nearly EUR 9 000 per worker; these are EUR 264 000 and EUR 7 000 respectively for newly-established WBO operations.

24 Invitalia, *Home page*. [Online]. Accessed on 30 September 2023, available at: <https://www.invitalia.it/>.

25 Cooperazione Finanza Impresa, *Home page*. [Online]. Accessed on 30 September 2023, available at: <https://www.cfi.it/chi-siamo.php>.

26 Cooperazione Finanza Impresa, *Home page*. [Online]. Accessed on 30 September 2023, available at: <https://www.cfi.it/cosa-facciamo.php>.

27 Under the New Marcora law of 2014 (see chapter Applicable legal framework).

28 European Commission, *SME definition*. [Online]. Accessed on 30 September 2023, available at: https://single-market-economy.ec.europa.eu/smes/sme-definition_en.

29 Previous estimates are that from 1986 to 2001, the Italian state provided EUR 355 million to 796 cooperatives through its agencies, where EUR 80 million was directly managed by CFI and invested in 159 WBO's share capital in support of 5 964 workers. See Osservatorio Regionale Toscana sulla Cooperazione (2004), *L'impatto Economico dei finanziamenti pubblici sui principali settori del sistema toscano delle cooperative: evoluzione e valutazione*.

30 Cooperazione Finanza Impresa, *Balance 2022* (Bilancio 2022). [Online]. Accessed on 30 September 2023, available at: <https://www.cfi.it/chi-siamo.php>.



An analysis carried out in 2022³¹ has estimated the return on WBO-linked public investment for 33 WBOs using their balance data over the last 10 years and the financing of CFI³² in creating and developing these operations. With a total CFI financial support of EUR 6.3 million, the total tax revenue generated by the 33 funded cooperatives amounted to EUR 144 million over the decade. Over the 10 years, therefore, the public investment generated a 23-fold return to public finances. The annual average tax revenue generated by a single WBO operation is about EUR 440 000 for an average public investment of EUR 200 000 (net of other private and/or cooperative movement financing sources). Based on this assumption, it was estimated that a single WBO operation over its lifespan can generate a return on public investment of about EUR 7.9 million in terms of tax revenue.

Figure 5: 'Transaction costs to support social finance intermediaries (ESF-2022-SOC-FIN)'.

- In spring 2023, CFI won the call 'Transaction costs to support social finance intermediaries (ESF-2022-SOC-FIN)' for the EU Programme for Employment and Social Innovation (EaSI) / ESF+. The measure is financed and managed directly by the Directorate-General for Employment, Social Affairs and Inclusion in order to incentivise the entry of qualified investors into smaller social enterprises, through small equity and quasi-equity interventions.
- The aim is to allocate EUR 8 million through equity, or quasi-equity, for interventions of less than EUR 200 000, to support 50 SME social and workers' cooperatives (including WBO), to encourage growth paths in terms of capitalisation, size, and skills³³.

Source: Author.

Moreover, in 2019, CFI signed a contract with the European Investment Fund (EIF) as one of the national intermediaries for the EaSI programme³⁴. Thanks to this, social cooperatives and worker-owned cooperatives, including WBOs, which meet the eligibility requirements for social impact as stipulated in the agreement with the EIF, benefit from a 0.5% reduction applied to the expected remuneration across all CFI intervention lines. The financial support from the programme materialises by ensuring a percentage equivalent to 20% of the overall lending ceiling to cooperatives, estimated at EUR 28 million for the period 2020–2023, with a maximum limit of EUR 500 000 per individual transaction. The agreement with the EIF is valid for four years from the start of the guarantee programme (2019). As of 31 December 2022, the guarantees issued under the EaSI programme amounted to nearly EUR 14.6 million for interventions provided to cooperatives³⁵. Building on the successful experiences with the use of the EaSI guarantee, CFI has continued the cooperation with the EIF under the InvestEU Social Entrepreneurship Portfolio Guarantee Product by signing a new guarantee agreement in October 2024. The guarantee under InvestEU allows CFI to provide financing to WBO cooperatives as part of its portfolio.

31 Bernardi, A., Cori, A., Granata, M., Lelo, K., Monni, S. (2022a), Rescuing firms in a co-operative way: worker buyouts in Italy, *Entrepreneurship and Sustainability*, Vvol. 10(1), No 1, pp. 242-260.

32 It includes also the support from SOFICOOP (Società Finanza Cooperazione), incorporated by CFI in 2019.

33 *Cooperazione Finanza Impresa, Small2big*. [Online]. Accessed on 30 September 2023, available at: https://www.cfi.it/small2big.php?lang_t=it. See also: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/how-to-participate/org-details/999999999/project/101101757/program/43254019/details>.

34 *European Commission*. [Online]. Accessed on 30 September 2023, available at: <https://www.cecop.coop/works/the-multiplier-effect-eu-financial-instruments-for-social-cooperatives-and-social-enterprises>. See also: *Cooperazione Finanza Impresa, FEI Fondo EaSI*. [Online]. Accessed on 30 September 2023, available at: <https://www.cfi.it/fei-fondo-easi.php>.

35 Specific information on WBO is not available.



4.1.2 Foncooper and regional initiatives

The revolving fund, Foncooper, established with the Marcora law in 1985, finances cooperatives (in the form of SMEs) through soft loans for investments mainly aiming at³⁶: increasing productivity or employment or both by increasing and/or modernising the means of production and/or technical, commercial and administrative services; and adding value to products and rationalisation of the distribution sector, construction or purchase of plants in the production and distribution sector, restructuring and reconversion of plants.

Foncooper is offered as debt-capital financing to new and established work-generating cooperatives³⁷. Specifically, each cooperative can obtain up to EUR 2 million from Foncooper to finance up to 70% of its investment plans. Interest rates are capped by law at 25% of the European base interest rate, and the debt capital must be repaid within eight years for investments in machinery and equipment, or within 12 years when the investment also includes real estate.

Foncooper was initially managed by the BNL. After the fund was devolved to the regions in 1998, other financial institutions such as UniCredit Banca SpA, Cooperfidi³⁸, and regional banks, have been involved in its management. With the decentralisation of Foncooper, regional administrations have had the opportunity to support the development of WBO initiatives. All regional agencies affiliated with Foncooper can provide new or existing cooperative enterprises, including WBOs, with debt capital for start-up, development, and consolidation phases. These regional revolving funds operate in a manner similar to the original Foncooper fund. Regions most actively using the Foncooper resources include Emilia-Romagna, Piedmont (Piemonte) and Lazio.

In recent years, some regions³⁹ have also developed ad hoc initiatives. These use revolving instruments as in the case of Lazio, Basilicata, Lombardy (Lombardia) and Campania, or grants, as in the case of Marche and Veneto (see Table 2). The initiatives specifically address WBO, with the exception of Basilicata, where beneficiaries also include social cooperatives and cooperative consortia, and Lombardy, where the revolving fund also applies to other types of SME cooperatives. The resources mainly come from regional budgets, while grants in Veneto come from the National Social and Cohesion Fund (Fondo nazionale sociale e di coesione, NSCF). Moreover, the debt instruments activated by Lazio and Basilicata are managed by CFI.

The revolving fund in Campania was established using the ESF regional programme for the 2014–2020 period. This fund was launched in 2016⁴⁰ with the funding agreement signed with Confeserfidi (a financial company) in 2018. With a total value of EUR 1 million, it provides soft loans to promote enterprise creation and self-employment of employees who work for enterprises in difficulty. The loans, up to EUR 225 000 per operation, can finance up to 75% of the eligible costs, have a 0% interest rate, must be repaid within five years and have a grace period of 12 months. After three calls without applications in February, April, and July 2019, the fourth in October of that year received three requests for financing, and two were approved in August 2020 for 'ASSTEAS Società cooperative' - EUR 225 000 - and the Ninfea Social Cooperative (Ninfea Società Cooperativa Sociale R.l.) with EUR 155 600⁴¹.

36 Banca Nazionale del Lavoro (2009), *Foncooper financing* [Online]. Accessed on 15 October 2023, available at: https://bnl.it/SupportingFiles/_scheda_prodotto_aggiornata_gennaio_2009.pdf.

37 Vieta, M. (2020), *Saving Jobs and Businesses in Times of Crisis: The Italian Road to Creating Worker Cooperatives from Worker Buyouts*, pp. 162-187 in Roelants, B., Eum, H., Esim, S., Novkovic, S., Katajamäki, W. (Eds.) (2020) *Cooperatives and the World of Work*, Routledge, London.

38 *Cooperfidi Italia*. [Online]. Accessed on 30 September 2023, available at: <https://cooperfidiitalia.it/mission-e-codice-etico/>.

39 Other regions in Italy are also considering using ESF+ for WBO support and some are in the process of planning – e.g. Sardinia. At the time of writing, more detailed information was not available.

40 With Regional Decree 2016/353 of 6 July 2016.

41 *Campania, Internal rules of the Surveillance Committee of the Campania Operational Programme 2014-2020 (Regolamento interno del Comitato di Sorveglianza del Programma Operativo della Campania 2014-2020)*. [Online]. Accessed on 30 September 2023, available at: <https://porfesr.regione.campania.it/assets/documents/regolamento-comitato-di-sorveglianza-fesr-2014-2020-approvato-2.pdf>.

According to the latest ESF evaluation report for 2022 approved in May 2023⁴², these are the two WBO financed by the revolving fund to date, for a total of EUR 380 600 disbursed, out of which EUR 285 500 came from the ESF and EUR 95 100 from national co-financing.

Table 2: Recent regional initiatives supporting WBO.

Region	Fund	Management	Beneficiaries	Key characteristics
Lazio	WBO fund (Fundo WBO), 2021	CFI	WBOs	<ul style="list-style-type: none"> • Total resources: EUR 8 million from regional budget. • Available up to July 2029. • Loans (min. EUR 20 000). • 0% interest rate. • 100% of eligible costs. • Repayment in 10 years. • Grace period of two years for loans with a duration of four years.
Basilicata	Fund to support employment in cooperatives (Fondo per il sostegno dell'occupazione nelle imprese cooperative), 2019	CFI	<ul style="list-style-type: none"> • Workers' cooperatives (including WBO). • Social cooperatives. • Cooperative consortia. 	<ul style="list-style-type: none"> • Total resources: EUR 3.9 from regional budget. • Loans (min. EUR 50 000, max. EUR 350 000). • 0.75% interest rate. • 100% of eligible costs. • Repayment in max.10 years. • Grace period of one year (at 0% interest rate).
Lombardy	Fondo per l'accesso al credito delle imprese cooperative (Fund for credit access of cooperatives), 2019	Lombardy Region and Finlombarda S.p.a.	<ul style="list-style-type: none"> • SME cooperative. • WBO. 	<ul style="list-style-type: none"> • Total resources: EUR 10 million from regional budget. • Loans (min. EUR 25 000, max. EUR 350 000). • 0.10% interest rate. • 70% of eligible costs. • Repayment in max.10 years.

42 Campania (2023), *Annual Implementation Report 2022 - POR Campania ESF 2014-2020 - Annual implementation reports for the Investments for growth and employment objective (Rapporto annuale di Attuazione 2022 - POR Campania FSE 2014-2020 - Relazioni di attuazione annuali per l'obiettivo Investimenti a favore della crescita e dell'occupazione)*. [Online]. Accessed on 30 September 2023, available at: https://fse.regione.campania.it/wp-content/uploads/2022/07/Implementation-report_2014IT05SFOP020_2021_0_it-1.pdf.



Region	Fund	Management	Beneficiaries	Key characteristics
Campania	WBO Revolving Fund (Fondo Rotativo WBO), 2018	Confeserfidi	WBO	<ul style="list-style-type: none"> • Total resources: EUR 1 million (from ESF 2014–2020). • Loans (max. EUR 225 000). • 0% interest rate. • 75% of eligible costs. • Repayment in max. five years. • Grace period of one year.
Marche	Fund to support cooperative development (Provvedimenti per favorire lo sviluppo della cooperazione), 2022	Marche Region	WBO	<ul style="list-style-type: none"> • Total resources: EUR 25 000 from regional budget. • Grant (min. EUR 10 000). • 50% of eligible costs.
Veneto	Changing work – Line (WBO) (2Il Lavoro che cambia - LINEA 2 – Workers' buyout), 2021	Veneto Region	WBO	<ul style="list-style-type: none"> • Total resources: EUR 500 000 from FSC (NSCF). • Grant (min. EUR 15 000, max. EUR 100 000). • 40% of eligible costs.

Source: Author.



4.2 Analysis of supply of private finance

Looking at the supply of finance on the private side, WBO cooperatives have access to all the financing instruments provided for cooperative enterprises. In this regard, the mutualistic funds of associations of cooperatives have played a key role in financially supporting the establishment and growth of such operations. In Italy, there are three main associations of cooperatives, Legacoop, Confcooperative and AGCI⁴³, each of which holds a mutual fund, Coopfond⁴⁴, FondoSviluppo⁴⁵ and General Fond⁴⁶, respectively. These funds often operate in partnership with CFI by providing equity capital and debt capital. Mutualistic funds were established in Italy in 1992 (see the chapter on Applicable legal framework) for the promotion and development of cooperation.

Coopfond is the company that manages the mutual fund associated with Legacoop, holder of the entire EUR 120 000 share capital. Since 2008, it has provided support for 71 WBO operations and nearly 1 800 workers, investing a total of EUR 24.9 million⁴⁷. This investment includes EUR 15.2 million in equity participation in the capital of new cooperatives and EUR 9.7 million in debt capital.

Fondosviluppo is the mutual fund of the Confcooperative, a joint stock company with EUR 120 000 share capital, whose shares are held 80% by Confcooperative and the remaining 20% by the Italian Federation of cooperative credit and rural banks. Since its foundation in 1993, FondoSviluppo has financed 23 WBO and 428 workers with EUR 2.5 million in patient capital⁴⁸.

General Fond is the joint stock company that runs the mutual fund of AGCI. It is 97.5%-owned by the related cooperative association with the the National Consortium for Training and Research, an educational agency, holding a 2.5% stake⁴⁹.

These funds are subject to oversight by the Ministry of Economic Development. They do not receive any public resources but derive their financial means from the cooperatives in the respective associations. They levy 3% of the associated cooperatives' profits and invest them in promoting and strengthening the cooperative movement in Italy. To achieve this main objective, the mutualistic funds provide debt capital at subsidised rates, risk capital and grants to cooperative start-ups, established cooperatives and WBOs. Applicants for funding must always have a business plan.

Another common source of cooperative finance for WBOs are the guarantee consortia. These entities, created in the 1950s, play a crucial role in the relationship between cooperatives (especially SMEs and start-ups) and the private banking sector. The latter is often skeptical of WBO operations, in part because these enterprises emerge from previous failures. To obtain support from these consortia, cooperatives, including those from WBO, should be associated with a required quota. Normally, the consortia can guarantee 50% of the loans.

43 In 2011, the three associations created the Alliance of Italian Cooperatives (Alleanza delle Cooperative Italiane), the national apex organisation coordinating them. Overall, there are about 39 000 cooperatives associated representing 90 percent of the whole Italian cooperative movement in terms of employment (1 150 000 workers), turnover (EUR 150 billion) and membership (more than 12 million people, 1 out of 5 Italians). See Bernardi A., Berranger C., Mannella A., Monni S. and Realini A. (2021), *Global but not Spontaneous Firm: Co-operatives and the Solidarity Funds in Italy*, CIRIEC Working Paper No 2021/01.

44 Coopfond, *Home page*. [Online]. Accessed on 30 October 2023, available at: www.coopfond.it.

45 Fondo Sviluppo, *Home page*. [Online]. Accessed on 30 October 2023, available at: www.fondosviluppo.it/.

46 General Fond S.p.A, *Home page*. [Online]. Accessed on 30 October 2023, available at: www.generalfond.it/.

47 Coopfond, Coopfond, 1,790 jobs saved since 2008 with 71 worker buyouts (Coopfond, dal 2008 salvati 1.790 posti di lavoro con 71 workers buyout) [Online]. Accessed on 30 October 2023, available at: <https://www.coopfond.it/workers-buy-out/coopfond-dal-2008-salvati-1-790-posti-di-lavoro-con-71-workers-buyout/>.

48 Fondo Sviluppo. [Online]. Accessed on 30 October 2023, available at : <https://www.fondosviluppo.it/Attivit%C3%A0/Interventi-diretti/workers-buyout-quantit%C3%A0-soci-ha-aiutato-fondosviluppo>.

49 Information on WBO not available - *General Association of Italian Cooperatives (Associazione Generale Cooperative Italiane)*. [Online]. Accessed on 30 October 2023, available at: <https://www.agci.it/general-fond>.



Generally, during the initial stages of worker-recovered enterprises, access to credit from the private banking sector is limited almost exclusively to the Italian private banking sector closely associated with the cooperative movement, such as Banca Etica and local, cooperative, and cooperative banks (*banche popolari*). For instance, since 2011, Banca Etica has supported the creation of WBO with loans totalling over EUR 40 million, equal to 3.2% of its credit portfolio. Overall, the institute has financed over 50 cooperatives, more than half of all those created in Italy through WBO in the same period⁵⁰.

4.3 Technical assistance

CFI, mutual funds, and cooperative associations provide technical assistance by collaborating closely with employees. They have built an effective system to create and boost WBO projects: with different actors involved and an established approach. Specifically, the financial structures of the cooperative system (i.e. CFI, Coopfond and Cooperfidi) provide economic, and financial consulting services.

CFI offers business feasibility studies to assess the viability of new worker cooperatives and SWOT (strength-weakness-opportunity-threat) analysis of businesses. It works closely with WBO employees, local labour, and business representatives, cooperative associations, and consortia, and other 'territorial experts' before deciding to invest in or assist in the start-up or further consolidation of a WBO project⁵¹. As an entity entrusted to carry out the objectives of the Marcora law, CFI is responsible both for financing employment-generating cooperative societies in the form of share or debt capital, and for ensuring the sustainability of investments in new cooperative projects through technical, economic, and financial consulting and oversight. These free-of-charge support activities go hand-in-hand with the financing process.

The local structures of Italian cooperative associations provide most promotion, information/training, strategic, management, organisational, legal, and corporate consulting services. However, the local cooperative associations, through interviews, have expressed the need for more support to train their own staff on procedures and to make more staff available in the field to support these efforts, which are typically time-consuming and require careful monitoring.

50 *Percorsi di Secondo Welfare*. [Online]. Accessed on 30 October 2023, available at: <https://www.secondowelfare.it/privati/aziende/i-wbo-da-campi-bisenzio-alleuropa/>.

51 Vieta, M. (2015), The Italian Road to Creating Worker Cooperatives from Worker Buyouts: Italy's Worker-Recuperated Enterprises and the Legge Marcora Framework, Euricse Working Papers, Vol. 78, No 15. Accessed on 15 September 2023, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2641057.



05

Market gap and suboptimal investment situation

Despite a well-structured financial support network provided by both the cooperative sector and the public sector, the financial instruments supporting WBO are limited in their intervention capacity and ability to mobilise sufficient resources for specific industrial sectors or certain types of businesses.

- Financial support provided by the Marcora law is limited in its scope, as it was designed to intervene in situations of corporate crisis. This restricts WBO development in other contexts, such as generational turnover, for which there is significant potential for intervention in Italy. Recent legislative efforts have been made, but implementation is pending. A law has been introduced to promote WBO operations that arise from companies facing generational/succession issues. However, the Ministry of Finance has not yet adopted the necessary rules to implement it.
- Unlike WBOs resulting from corporate crisis, where former employees can allocate their severance pay to the cooperative's share capital, there is no means to use the social safety net for WBOs resulting from business succession, because it does not involve a crisis-stricken company. Therefore, the benefits that the state proposes will objectively differ and will be of a fiscal nature to support both the employer selling the business and the workers.
- Another limitation is tied to the size of the enterprise. Provisions related to the Marcora law apply to SMEs and larger companies are not covered by support measures. The lack of appropriate mechanisms to support WBO operations in large companies compromises the workers' ability to cooperatively mitigate closures and collective layoffs in these contexts. So, while the available financial resources for WBO are capable of meeting the demand from SMEs, they might not be sufficient if extended to larger companies. The same argument applies to capital-intensive sectors where WBOs are less prevalent due to the need for large financial investments during the restart phase.
- Another aspect emerging from interviews with key players in the Italian context is the lack of resources/grants to finance feasibility studies into WBO projects, especially when they involve entering new markets or significantly restructuring production. In such cases, there is a clear need to involve outside experts to support activities such as information-sharing, training, coaching, planning, and consultation during the start-up phase.
- Finally, there are other non-financing aspects to be considered. As evidenced in the three case studies, the WBO cooperatives still have high levels of debt, and this could limit their attractiveness for investment, especially to investors and financial institutions outside the cooperative networks. Moreover, as workers involved in WBOs often lack managerial, commercial and marketing skills, this could further limit the attractiveness of businesses arising from a previous failure, lacking a proper business plan and with an uncertain future. Finally, the WBO process can be lengthy and involve numerous bureaucratic obstacles, which often lead to production being halted. Consequently, additional finance is required to re-start and modernise equipment and machinery, in addition to recovering clients and market positions.

06 Case studies of WBO examples

The three case studies have been chosen as representative of the Italian context. The companies selected, Greslab, Italcables and Birrificio Messina, are diverse and showcase the unique characteristics and potential of the WBO phenomenon in Italy.

6.1 Company #1: Greslab



Greslab is a case of corporate rebirth through WBO after the bankruptcy of Ceramica Magica SpA in Sassuolo's ceramics district in Emilia-Romagna. Greslab started as a WBO in 2011 with 31 members and six employees. Now there are 54 members and an additional 30 employees.

Today, Greslab is a mutually-prevalent cooperative that manufactures tiles on behalf of third parties. Its clients customers are mostly outside Italy, while Greslab also has a small direct share in foreign markets (5% of its sales). The cooperative's competitive strength lies in its production flexibility, quality, and ability to meet the specific needs of its clients. These characteristics, alongside the advantages derived from being part of a historical industrial district, explain the growth that the cooperative has experienced. It currently has annual revenues of some EUR 20 million, more than doubling in the last 10 years.

6.1.1 Reasons for WBO – needs and preconditions

The crisis of the old company, Ceramica Magica SpA, began in the early 2000s with declining demand from the USA, a market that generated about 70% of the its total revenues. As a result of some risky financial decisions and an inability to reverse the trend, when the 2008 global financial crisis hit, the company entered into bankruptcy proceedings, and the owners sought to sell the company.

In 2010, with no orders coming in, all 60 remaining employees were placed on furlough while the owners attempted to sell the company. No buyers came forward, and in 2011, a few months before the court declared Ceramica Magica SpA bankrupt, a newly established workers' cooperative, Greslab, signed a contract to restart production.

The main financial challenge for Greslab in its early years was finding the resources to restart and modernise production. The new cooperative, in fact, had to rent the machinery (about EUR 50 000 per year) and Ceramica Magica's old premises (EUR 200 000 per year, increasing to EUR 300 000 per year)⁵². Subsequently, in 2016, the machinery and premises were auctioned by the court (as the old company had been declared bankrupt and was unable to close the agreement) and Greslab, having won this auction, became the owner, financing this operation with a loan of EUR 2.3 million. Over the next six years Greslab invested a further EUR 10 million in technology and new equipment.

52 Foundation Interreg Europe, *Italian regional analysis - Building regional resilience to industrial structural change*. [Online]. (2021). Accessed on 16 December 2023, available at: https://projects2014-2020.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1616071287.pdf.



6.1.2 WBO description

The main reason that Ceramica Magica was unable to recover from crisis was its fragmented production, with too much investment in research, equipment and new products, leading to high costs and a loss of production capacity⁵³. This, combined with the failure to increase sales prices, significantly reduced margins and meant the company could not compensate for its losses in the USA market. Moreover, its debt:equity ratio progressively worsened leading to unsustainable financial tension as revenues were used to service the debt.

CFI and Coopfond offered funding only if there was a drastic change in approach. Thus, Greslab retained only a small part of what Ceramica Magica had been, specifically, its tile production. The product portfolio was simplified. Now, the company solely concentrates on producing ceramic tiles on behalf of third parties, which are then sold unbranded. Even the client base has changed, which initially made it hard for Greslab to find new clients. Driving these changes were three private companies operating in the same industrial district (PowerGres SpA, Ceramiche Moma SpA, and XIStyle Srl) who became shareholders in the newly established cooperative. In addition to providing share capital, the companies became Greslab's main clients, together accounting for 70% of its revenue.

Coopfond's requirements for taking part in the project, included the establishment of a new remuneration policy. In the first three years, the founding members received 80% of their previous salary, as they waived the variable component of the salary, which included productivity bonuses. This foregone portion was then compensated over the following two years. In addition, the highest salary could be no more than three times the lowest, and the working week was increased from 36 to 40 hours.

While the trade union and employees initially resisted this change to working conditions, the issue was eventually resolved during the start-up phase.

Over the years, the cooperative's membership has grown, reaching 46 members in 2022. The number of employees has also increased, with 81 employees working for the cooperative in the same year. The cooperative also includes special members, known as 'probationary members', as the its bylaws allow entry as workers only after a probationary period of 36 months. In addition to their regular compensation, workers, and 'probationary members' can benefit from a share of profits in the form of rebates proportionate to the value of mutual payments made to the cooperative during the year⁵⁴.

The cooperative is managed by a board of directors, which typically convenes every 1-2 months. The board is made up of 10 members (nine of which are cooperative members, and with one external professional). In Greslab, the members are also informally summoned following each board meeting to learn about the discussions and resolutions taken.

53 Foundation Interreg Europe, *Italian regional analysis - Building regional resilience to industrial structural change*. [Online]. (2021). Accessed on 16 December 2023, available at: https://projects2014-2020.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1616071287.pdf.

54 Rebates are a form of profit distribution to cooperative members. Their amount depends on the value of exchanges between members and the cooperative during the year and is limited by both law and market conditions. Rebates are granted based on the type of exchange occurring within the cooperative. For instance, they can be integrated into salaries (for worker cooperatives), but this integration cannot exceed 30% of current salaries. Alternatively, they might involve reimbursing a portion of prices paid by members (in consumer cooperatives).



6.1.3 Financial structure of WBO

Coopfond (the cooperative movement's guarantee consortia) played a crucial role in facilitating access to credit for the new WBO cooperative, both in the initial phase and during the purchase and renovation of the production facilities. Moreover, additional injections of financial resources ensured more financial stability for the cooperative in the following years.

At the beginning of its production activity in 2011, the company capital of the newly established cooperative amounted to When Gresfond was set up in 2011, it had EUR 1.6 million in capital, divided into 64 720 shares with a nominal value of EUR 25 each. Of this total, EUR 418 000 came from 31 worker members (using an advance payment of unemployment benefits), EUR 300 000 from Coopfond, EUR 300 000 from CFI, and EUR 600 000 from the three private companies⁵⁵. Through the guarantees provided by Cooperfidi (a consortium for guarantees and loans within the Italian cooperative movement) and with the support of the Cooperative financial intermediary structure (Consorzio Cooperativo Finanziario per lo Sviluppo, CCFs), Banca Etica and Unipol granted an additional EUR 2 million in financing.

Unfortunately, the start-up phase coincided with an earthquake in Emilia-Romagna in 2012, and some of clients of the new cooperative were forced to close. At this time, the cooperative accumulated a significant number of uncollectible credits from clients who went bankrupt. This led to a serious financial crisis that was resolved thanks to a new injection of capital obtained through another intervention by Coopfond (EUR 200 000) and further investment from the workers (EUR 110 500) made through a deduction from their salaries.

Additional resources were provided in the following years. In 2016, the total amount of funding by Coopfond was increased by EUR 600 000 for another seven years and that from CFI by EUR 150 000 for another three years⁵⁶. Coopfond has thus invested a total of EUR 1 100 000 in the new cooperative and EUR 250 000 as debt financing, while CFI has provided EUR 300 000 of capital participation (also becoming a financial member), a EUR 500 000 of subordinate loan, and EUR 500 000 of debt financing. Moreover, in 2021, Invitalia granted a bond loan⁵⁷ of EUR 750 000.

As of December 31, 2022, the subscribed share capital amounts to EUR 1.9 million, and it is distributed as follows:

- Financial members⁵⁸: three members with a share capital of EUR 957 443.
- Workers: 46 members with a share capital of EUR 1.1 million.

With regards to transaction costs, as previously stated, production activity began with the signing of a machinery rental contract at a cost of EUR 50 000 per year and the rental of the facility for EUR 250 000 per year (later increased to EUR 350 000). Only later did the cooperative acquire the entire production branch for EUR 450 000 and the production facility (purchased through leasing) for EUR 2 250 000. The reduction in workers' salaries and increase in their working hours represent additional costs for the start-up phase of the WBO operation.

55 PowerGres Spa with EUR 300 000, Ceramiche Moma Spa with EUR 200 000, and XIStyle Srl with EUR 100 000.

56 Foundation Interreg Europe, Italian regional analysis - Building regional resilience to industrial structural change (2021). Accessed on 16 December 2023, available at: https://projects2014-2020.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1616071287.pdf.

57 The bond loan refers to the 'SME Fund' mentioned in Article 26 of Decree 34/2020, converted into Law 77/2020 on Conversion into law of the Relaunch Decree no. 34/2020 (Legge n. 77/2020 - Conversione in legge del DL Rilancio n. 34/2020). Accessed on 16 December 2023, available at: [https://www.gruppodelbarba.com/legge-n-77-2020-conversione-in-legge-del-dl-rilancio-n-34-2020/#:~:text=77%2F2020%20%E2%80%93%20Conversione%20in%20legge%20del%20Decreto%20Rilancio%20\(DL,mesi%20scorsi%20e%20le%20imprese](https://www.gruppodelbarba.com/legge-n-77-2020-conversione-in-legge-del-dl-rilancio-n-34-2020/#:~:text=77%2F2020%20%E2%80%93%20Conversione%20in%20legge%20del%20Decreto%20Rilancio%20(DL,mesi%20scorsi%20e%20le%20imprese). The fund, managed by Invitalia, encourages the strengthening of equity, and contributes to the financing of SMEs. The received financing must be allocated to personnel costs, investments and working capital, and repaid within six years.

58 Financial members participate in the capital of the cooperative; however, unlike the workers, they do not engage in a direct mutual relationship with the cooperative. Nevertheless, the financial member can also be elected as an administrator and has the right to vote (albeit with certain limitations specified by law).



Table 3: Financial structure of Greslab.

Initial share capital	EUR 1.6 million: <ul style="list-style-type: none"> • EUR 418 000 from 31 worker members (arising from the advance payment of unemployment benefits due to the employees). • EUR 300 000 from Coopfond. • EUR 300 000 from CFI. • EUR 600 000 from the three private companies.
% workers' share capital at the beginning	26%
Number of worker members at the beginning	31
Equity instruments	CFI <ul style="list-style-type: none"> • EUR 300 000. Coopfond <ul style="list-style-type: none"> • EUR 1.1 million.
Debt financing	<ul style="list-style-type: none"> • Invitalia SpA. – National Agency for Investment Attraction and Business Development Bond loan: EUR 750 000. • CFI loan: EUR 500 000 (substitute loan) + EUR 500 000 (debt financing). • Coopfond loan: EUR 250 000 (debt financing). • Bianca Etica – Unipol loan: EUR 2 million.
Other financial support	CCFS and Cooperfifi (guarantee)
Other non-financial support	Technical assistance: Legacoop/Coopfond and CFI
Transaction costs	<ul style="list-style-type: none"> • Initially: Machinery rental contract at a cost of EUR 50 000 per year and the rental of the facility for EUR 250 000 per year (then increased to EUR 350 000). • Only later did the cooperative acquire the entire production branch for EUR 450 000 and the production facility (purchased through leasing) for EUR 2.3 million.
Private financial support	Coopfond – Banca Etica – Unipol - CCFS and Cooperfidi
Public (national) financial support	CFI and Invitalia
Public EU support	None

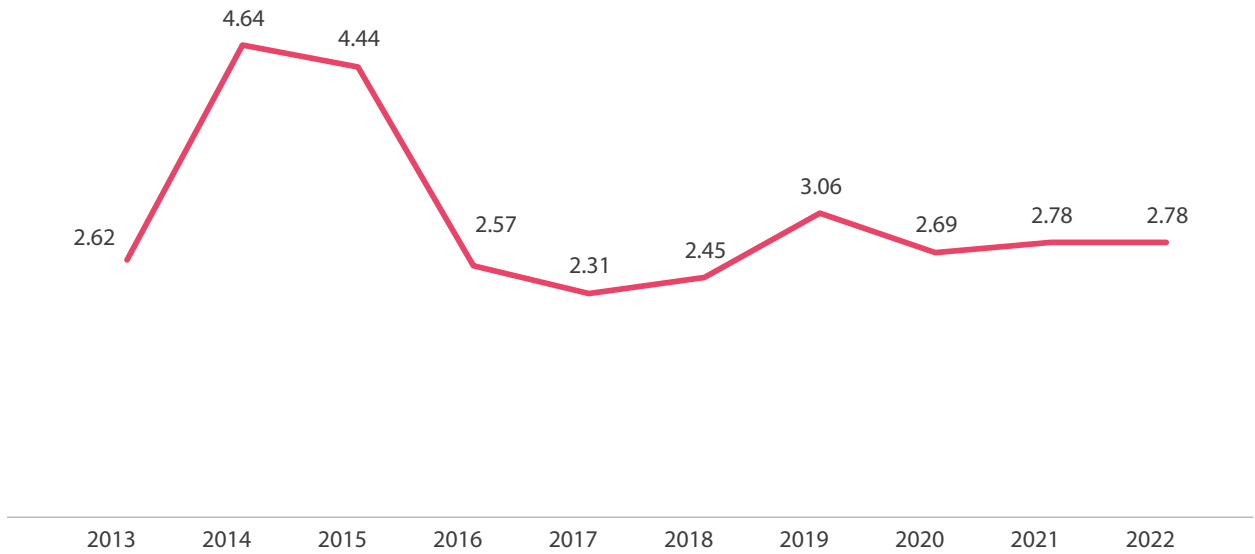
Source: Author, based on an interview with Greslab.



Debt financing

Since a high level of debt was one of the major issues of the previous management, Greslab maintained a low level of indebtedness in its early years of operation. This was made possible by the abundant funding received as equity capital from CFI, Coopfond and the three private companies. We don't have any detailed data about Ceramica Magica's debts for comparison. However, as Figure 7 shows, except for the years 2014-2015, Greslab's management has consistently maintained the financial leverage ratio below three, which indicates a healthy ratio of debt to equity.

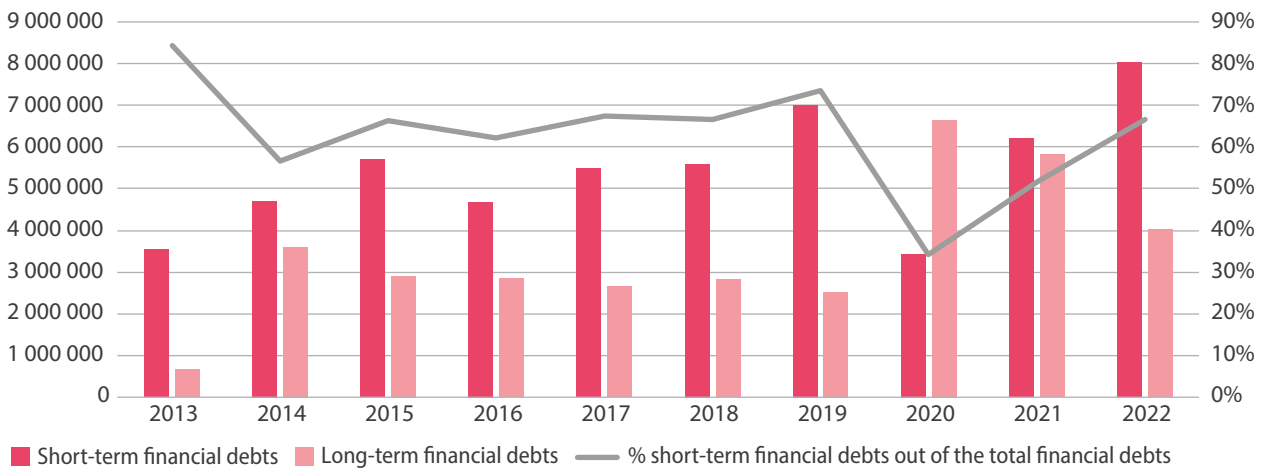
Figure 5: Debt/equity ratio trend for Greslab.



Source: Author, based on Aida Bureau Van dijk data (2023).

Over the years, the amount of bank debt has consistently increased in line with growth of production (see Chapter 6.1.4.). Short-term financial debts have always prevailed over medium-to-long-term debts. These debts have mainly remained of a banking nature. In fact, the incidence of debts towards members for financing is not significant.

Figure 6: Financial debt trend (EUR, %).



Source: Author's own elaboration based on Aida Bureau Van Dijk data (2023).



As of 2022, out of a total of approximately EUR 12 million in financial debts, those supported by real guarantees⁵⁹ amount to EUR 295 780, while among the commitments not reflected in the balance sheet, EUR 2.6 million accounts for the leasing of machinery. The company has granted CFI and CCFS special privilege guarantees⁶⁰ of EUR 1.5 million.

Table 4: Greslab's debt financing plan.

	Type of Loan	Amount (in EUR)	Maturity	Interest rate	Deferred payment	Guarantee
Coopfond	Medium term loan	250 000	Seven years	Euribor +4.1%	two years	COFITER Spa
CFI	Subordinate loan	500 000	Seven year	European Central Bank (ECB) rate+1.5%	three years	None
	Loan	500 000	Seven years		two years	
Invitalia	Bond loan	750 000	Six years	Euribor 1.75/2.50%	None	None
Banca Etica – Unipol	Loan	2 000 000	n.a	n.a	n.a	None

Source: Author, based on an interview with a representative of Greslab and desk research.

6.1.4 What was the impact of the WBO?

Greslab's commercial strategy saw a significant break with that of the old company, centralising production solely on 'third-party' manufacturing of specific tile formats, even in very small batches, for a clientele of companies mostly located in same the industrial district. In combination with a focus on research and development and innovation this has led to positive financial results.

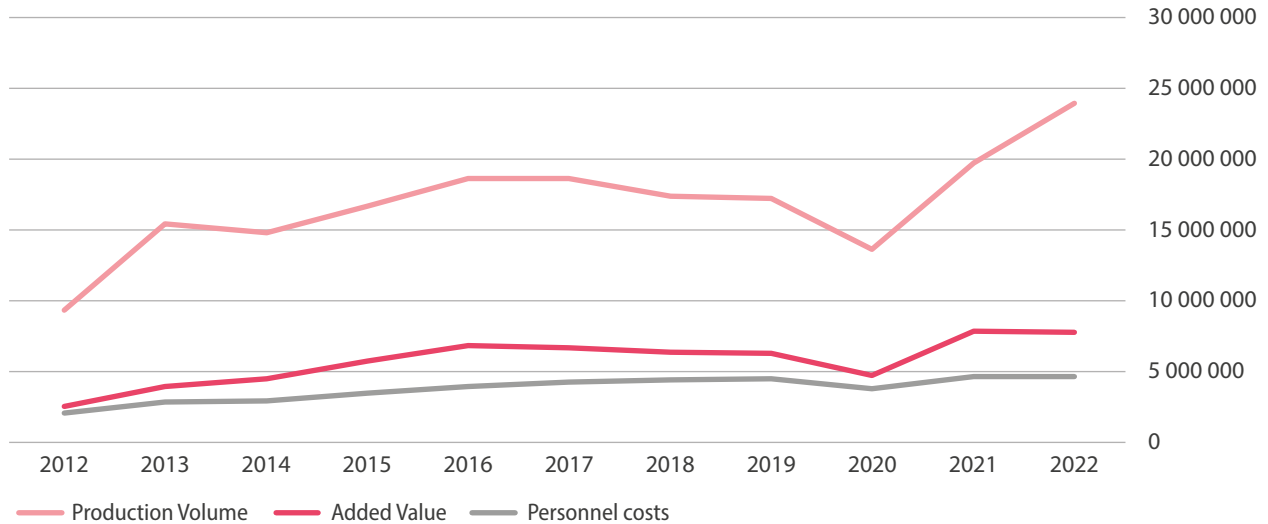
In the last 10 years, production has more than doubled, as well as the value added. Aside from the negative impact of shutdowns caused by the COVID-19 pandemic in 2020, the graph shows continuous and steady growth in production, which is also reflected in a consistent increase in personnel costs and the number of employees. In fact, total employment increased from 50 to 81 between 2012 and 2022.

⁵⁹ Real guarantees are secured through both movable and immovable assets.

⁶⁰ A privilege is a 'preference cause,' meaning a right to precedence that the law grants to a creditor who can claim certain types of debts against a debtor. Special privilege: it applies only to specific assets. These assets can be reclaimed even if they have been sold, to recover the debt. Therefore, it constitutes a real right.



Figure 7: Evolution of production volume, value added and personnel costs (EUR).



Source: Author, based on Aida Bureau Van Dijk data (2023).

Being aware of the risks faced by the previous ownership, Greslab has maintained a sustainable level of indebtedness over the years, thanks in part to abundant capital inflows received from CFI, Coopfond, and other private financial partners. On this note, there has been a gradual increase in the percentage of capital held by workers over the years. In 2011, the share of capital held by financial members was approximately 70%, while in 2022, it had decreased to 47%.

6.1.5 Lessons learned

The president of the cooperative, when interviewed for this report, identified some aspects that have been crucial to the successful outcome of this WBO, and others that have seriously compromised Greslab's operations over the years.

Undoubtedly, one of the most crucial factors that allowed the company to survive during times of crisis was its location within the historic ceramic industrial district. This enabled the company to network during market difficulties and cope with natural disasters such as the Emilia-Romagna earthquake in 2012. Similarly, in the initial phase, the support and consultancy provided by the cooperative association Legacoop helped overcome employee disagreements and set the cooperative on a virtuous path of management.

Among the aspects that compromised the cooperative's activities, one of the main factors was the lack of commercial/marketing skills and experience within the social structure and the new governance. This deficiency exposed the cooperative to significant risks in managing working capital and collecting credit.

Another critical aspect relates to access to credit. Cooperatives that emerge from WBO operations, especially in the manufacturing sector, soon face the need to renovate their production facilities. However, they encounter reluctance from the banking sector towards new businesses, especially those arising from a previous failure.

Cooperatives seeking credit must cope with multiple guarantee requests and face high costs due to lower credit ratings. The cooperative guarantee and credit consortia in the Italian cooperative system, along with financing provided by cooperative mutual funds, played a decisive role in addressing this issue.



6.2 Company #2: Italcables



The WBO Italcables Cooperative was established in April 2015 by a group of 50 workers who were laid off by Italcables SpA., a company that was part of the Companhia Previdente group based in Portugal. The parent company faced an irreversible industrial crisis, leading to the closure of its three Italian plants, including the one in Caivano, by the end of 2012. The workers at the Caivano site put in place the new cooperative management of the plant on December 3, 2015.

Today, WBO Italcables has a net worth of EUR 3 500 000 and a turnover of EUR 32 million. The company, which produces reinforced concrete cables, employs 57 people, 51 of whom are members of the cooperative. Orders come from both the domestic market (75%) and abroad (25%). WBO Italcables complies with the requirements of the standard for the Quality Management System UNI EN ISO 9001:2008 (ISO 9001:2008).

6.2.1 Reasons for WBO – needs and preconditions

The products of the Caivano plant of Italcables SpA were appreciated worldwide thanks to the company's know-how (exports accounting for around 60% of sales volumes). However, it was producing more than market demand (approximately 110 000 tonnes/yr in total), and had an outsized administrative structure.

A mistaken evaluation of raw material price trends led to the purchase of a too much material in 2008, resulting in excess inventory and selling at a loss. With the global crisis of 2008 and a 50% decrease in prices and volumes, Italcables initiated a restructuring plan with the objective of concentrating all production in the Caivano plant, which was better suited to meet the demands of the foreign market. The plan was implemented over an extended period: the plant in Sarezzo in Lombardy was closed in 2009, and the one in Cepagatti in Abruzzo in July 2012. As a result, profit margins suffered a sharp decline and labour costs, already high, increased to over 12% in 2012. A crisis at the company's main supplier that year added to its issues.

In this difficult situation, in 2013, the Italcables SpA. applied for a preventive composition with creditors for debt restructuring. While the plan was approved by most creditors, it was not approved by the company's banks and production was halted as it became impossible to purchase raw materials. At the end of June 2013, Italcables filed for liquidation.

After a period of strikes and union actions in 2014, following the cessation of business activity, a group of employees put forward the idea of a WBO of the Caivano operation. The advice of a chartered accountant played a crucial role in the birth of the Italcables cooperative. They helped support its development by drafting a business plan.



Subsequently, through the regional agency of Legacoop, relationships were established with CFI, Coopfond, and Banca Etica, which embraced the project and further revised the development plan, laying the foundations for the realisation of the workers' idea. CFI and Coopfond, approved, through a preliminary resolution, their entry into the project, providing venture capital and favourable financing to support the working capital during the start-up phase. Banca Etica also supported the project by granting a line of financing even before the formation of the new cooperative.

A month after obtaining the preliminary approvals, in April 2015, 50 employees established the new cooperative and requested an advance on their unemployment benefits to invest in the share capital. In this case, there were long waits to receive the advance on the unemployment benefits, which almost jeopardised the success of the project. However, the issue was resolved, and in July 2015, after submitting various purchase proposals for the company branch to the liquidator, the new cooperative finally received a positive response. The new cooperative began production in October 2015.

However, the lengthy acquisition process created another problem. The interruption of production, lasting almost three years, led to the expiration of the necessary quality certifications for selling concrete cables on the Italian market. This meant that initially all production was destined for export.

6.2.2 WBO description

The workers' cooperative WBO Italcables was established by 52 former employees of the company Italcables SpA, with the aim of taking over and continuing its activities, which had been closed since 2013 and subject to a preventive arrangement procedure.

The WBO operation involved the acquisition of the industrial plant for EUR 3.8 million, with the payment of the price spread over three years through a business leasing operation aimed at the purchase. Therefore, the amounts paid for the business leasing contract are to be considered instalments on the final purchase price.

The cooperative is managed by a board of directors elected by the assembly of members, which meets informally approximately once a month. Additionally, the assembly of members meets monthly and provides an opportunity for the board of directors to share the cooperative's performance with the members and discuss any issues that arise during the life of the cooperative.

Besides their regular compensation, workers can benefit from a share of the profits in the form of rebates proportionate to the value of mutual funds payments to the cooperative during the year.

6.2.3 Financial structure of WBO

Given that the crisis of the previous management was mainly of a financial nature (see Chapter 6.2.1 Reasons for WBO – needs and preconditions), the primary objective of the new management was to limit the impact of fluctuations in raw material prices. They decided to operate with an extremely reduced inventory turnover cycle (10-17 times per year), allowing WBO Italcables to adjust the selling price to the purchase price of the raw material. Additionally, a significant net worth of EUR 3.5 million, of which EUR 1.8 million was capital and EUR 0.6 million reserves, contributed to covering working capital along with consolidated liabilities (EUR 2.8 million) and obtaining necessary bank facilities in the form of invoice discounting lines⁶¹.

61 Invoice discounting consists of borrowing money against outstanding accounts receivable.



In terms of transaction costs, the WBO operation involved the acquisition of the industrial plant (warehouse, machinery, and patents) for EUR 3.8 million, with the payment of the price spread over three years through a business leasing operation aimed at the purchase. The acquisition of the business branch was finalised, in 2015, through the payment of a security deposit of EUR 250 000 at the time of the contract, the payment of an annual rent of EUR 150 000 for three years, and the completion of the purchase in 2018 for a total of EUR 3.8 million, net of the rents paid and the security deposit.

When production started in 2015, the share capital of the new cooperative amounted to EUR 1.8 million. EUR 1.2 million of this came from 50 working members (using advance payment of unemployment benefits due to the employees), EUR 300 000 came from Coopfond (the cooperative mutual fund of Legacoop), and EUR 300 000 from CFI.

Given the mistrust of financial intermediaries towards the new cooperative, the opening of credit lines and funding from Banca Etica, CFI, and Coopfond, as well as the prior willingness of the CCFS to support the working capital of the cooperative, were crucial. Banca Etica, for example, intervened in support of the working capital by providing invoice discounting lines for EUR 1 million. In concrete cable manufacturing, production is linked to significant purchases related to the procurement of raw materials. WBO Italcables is active in the so-called 'heavy industry' sector where, to achieve management equilibrium, it is necessary to reach high production volumes. Optimal production levels, therefore, require substantial purchases and, consequently, strong liquidity.

In 2018, the purchase of the company branch was completed, thanks to the EUR 2 million obtained partly from financial members (CFI and Coopfond) and partly from Banca Etica.

Coopfond played a crucial role in the initial phase by participating in the capital of the new cooperative and later supporting investments and liquidity with subsidised funding. In total, it has invested EUR 500 000 as equity capital participation in the new cooperative and EUR 1.1 million as debt financing. CCFS has guaranteed a credit line of EUR 250 000 for invoice advances since the cooperative was set up. Initially, Banca Etica intervened with a loan of EUR 500 000 and a credit line for invoice advances of EUR 1 million. Subsequently, local banks (such as Banco di Napoli) also opened credit lines for invoice advances or entered into factoring contracts with the cooperative. Currently, the cooperative also engages with national-level financial operators.

Public funds were activated through the intervention of CFI, which provided EUR 300 000 of capital, EUR 350 000 of subordinate loan, EUR 800 000 of debt financing, and EUR 1 million of subsidised financing. Moreover, in 2020, the cooperative received approximately EUR 1.5 million from Invitalia SpA (EUR 500 000 as a non-repayable grant and EUR 1 million in subsidised financing), to support an investment plan aimed at machinery renewal and energy efficiency. At the end of 2021, the cooperative had EUR 1.9 million in capital, distributed as follows:

- Workers: EUR 1.2 million.
- Financial members (CFI - COOPFOND): EUR 681 000.



Table 5: Financial structure of WBO Italcables.

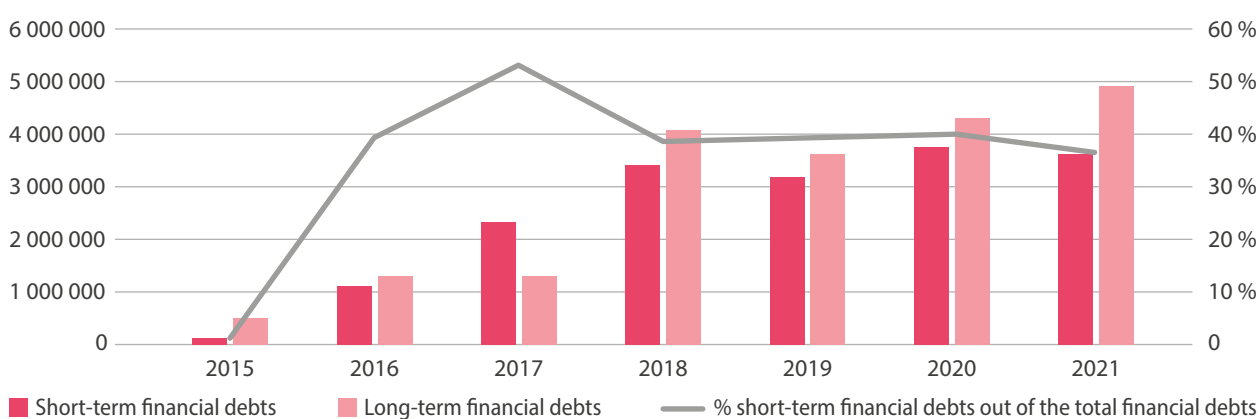
Initial share capital	EUR 1.8 million: <ul style="list-style-type: none"> • EUR 1.2 million from 50 working members (arising from the advance payment of unemployment benefits). • EUR 300 000 from Coopfond. • EUR 300 000 from CFI.
% workers' share capital at the beginning	67%
Number of worker members at the beginning	50
Equity instruments	CFI <ul style="list-style-type: none"> • EUR 300 000. Coopfond <ul style="list-style-type: none"> • EUR 500 000.
Debt financing	Invitalia SpA. <ul style="list-style-type: none"> • EUR 1.5 million (EUR 500 000 in non-repayable grant and EUR 1 000 000 in subsidised financing). CFI <ul style="list-style-type: none"> • EUR 350 000 ((subordinate loan) + EUR 800 000 (debt financing) + EUR 1 million (subsidised financing). Coopfond <ul style="list-style-type: none"> • EUR 1.1 million (debt financing). Banca Etica <ul style="list-style-type: none"> • EUR 500 000 (debt financing).
Other financial support	Banca Etica <ul style="list-style-type: none"> • EUR 1 million (credit line for invoice advances). CCFS <ul style="list-style-type: none"> • EUR 250 000 (credit line for invoice advances). Banco di Napoli <ul style="list-style-type: none"> • (Credit line for invoice advances).
Other non-financial support	Technical assistance: Legacoop/Coopfond and CFI
Transaction costs	The acquisition of the business branch was finalised in 2015, through the payment of a security deposit of EUR 250 000 at the time of the contract, the payment of an annual rent of EUR 150 000 for three years, and the completion of the purchase in 2018 for a total of EUR 3.8 million, net of the rents paid and the security deposit.
Private financial support	Coopfond – Banca Etica – CCFS – Banco di Napoli
Public (national) financial support	CFI and Invitalia
Public EU support	None

Source: Author, based on an interview with WBO Italcables.



Over the years, the amount of financial debt has consistently grown in parallel with the increase in production value (see Chapter 6.2.4 What was the impact of the WBO). Medium-to-long-term financial debts have consistently outweighed short-term debts. These debts are predominantly of a banking nature, although the proportion of debts owed to shareholders for financing has been quite significant (averaging around 30% of the total financial debts). As of 2021, the total financial debts amounted to approximately EUR 8.5 million.

Figure 8: Financial debt trend (EUR, %).



Source: Author, based on Aida Bureau Van Dijk data (2023).

Table 6: Italcables' debt financing plan.

	Type of Loan	Amount (in EUR)	Maturity	Interest rate	Deferred payment	Guarantee
CFI	Subordinate loan	350 000	Seven years	ECB rate+1.5%	Three years	None
CFI	Loan	800 000	Seven years	ECB rate+1%	Two years	None
CFI	Subsidised financing	1 million	10 years	0.8%	One year	None
Coopfond	Debt financing	1.1 million	10 years	1.75%	Six months	None
Invitalia	Subsidised financing	1 million	Six years	Euribor 1.75/2.50%	None	None
Banca Etica	Debt financing	500 000	Seven years	n.a	One year	None

Source: Author, based on an interview with a representative of WBO: Italcables and desk research.

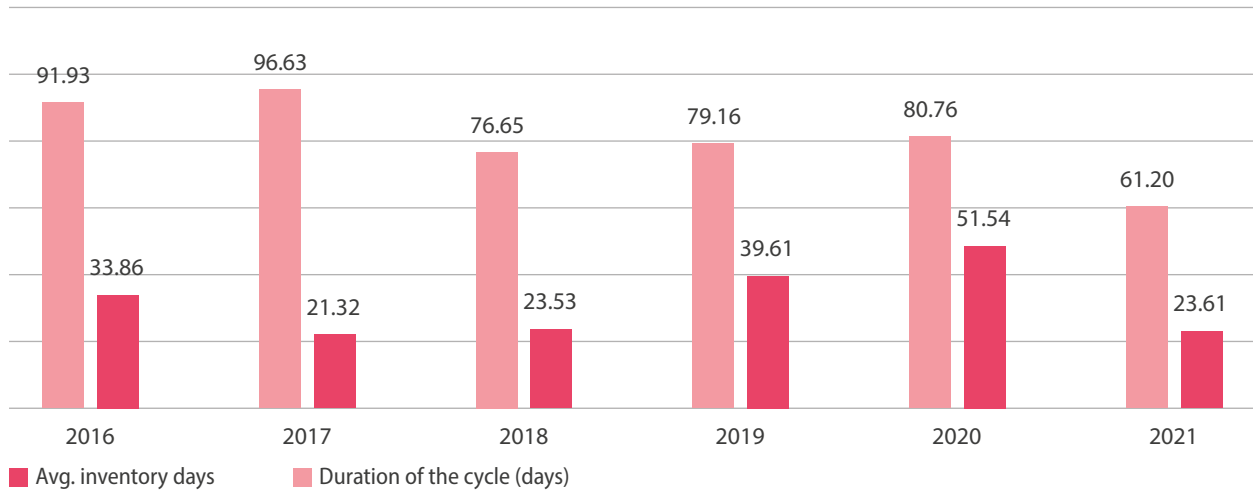


6.2.4 What was the impact of the WBO?

Taking into account that the crisis of the previous company was strongly influenced by external factors (the 2008 global financial crisis) and risky decisions (incorrect assessments of raw material price trends), rather than a lack of orders, the new cooperative has not changed the production process. It uses the same machinery, process characteristics (raw material, drawing, twisting, heat treatment, packaging), and product quality controls.

Indeed, the quality of the products and the professionalism of the company were recognised in the industry both in Italy and abroad. On the other hand, the production dynamics of the new cooperative, with the intention of avoiding risks related to fluctuations in raw material prices experienced with the previous owner, have been set with a very low inventory cycle. As shown in Figure 12, the average inventory days of raw materials in stock do not exceed 40 days (with the exception of the pandemic year 2020), while the average duration of the commercial economic cycle (the average period between the purchase of raw materials and the receipt of payment for sales made) shows a clear negative trend. In this way, WBO Italcables manages to adjust the selling price of the finished product to the purchase price of the raw material.

Figure 9: Evolution of duration of the operating cycle and average inventory days (EUR).

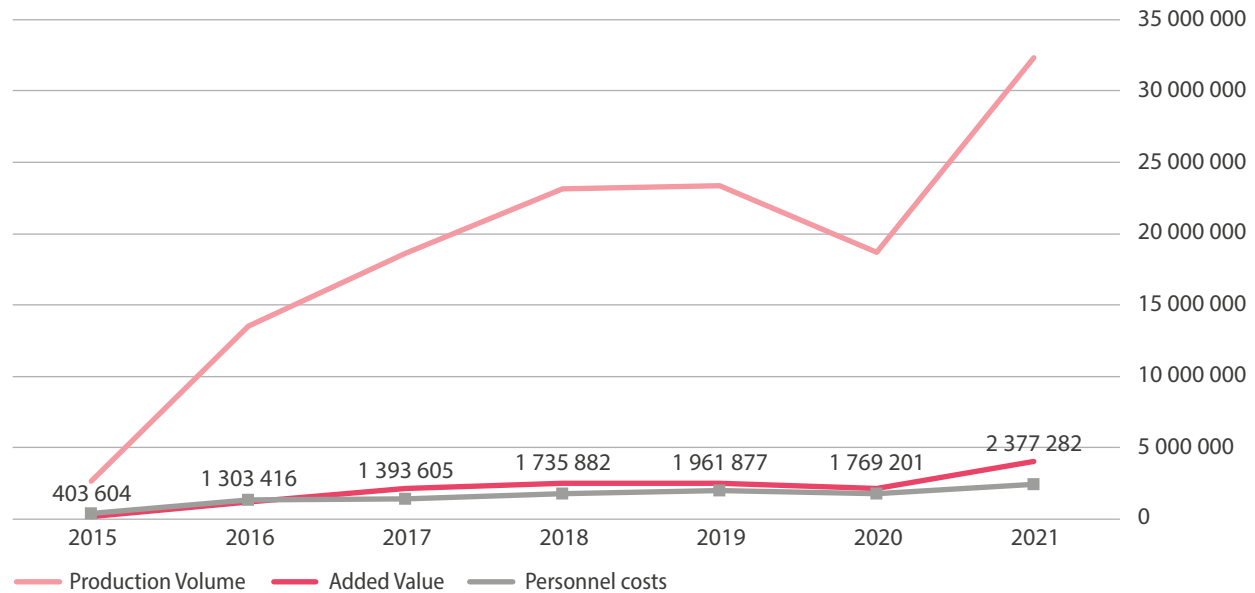


Source: Author, based on Aida Bureau Van Dijk data (2023).

Since 2016, when production reached full capacity, volumes and value added have constantly increased. Apart from a decline during the pandemic year of 2020, the graph shows continuous and steady growth in production, which is also reflected in a consistent increase in personnel costs while the number of employees has remained substantially unchanged. This testifies that the good results achieved from a productive standpoint are starting to repay the workers' efforts.



Figure 10: Evolution of production volume, value added and personnel costs (EUR).



Source: Author, based on Aida Bureau Van dijk data (2023).

6.2.5 Lessons learned

The case of WBO Italcables shows how this business recovery approach can be successfully applied even in the heavy industry sector, which requires significant investment and prudent management of inventory and liquidity. In this case, a decisive factor was the know-how of the employees and the reputation for excellent product quality the company enjoyed before the global financial crisis of 2008. Indeed, the new cooperative started with an extensive customer portfolio.

As mentioned earlier, in the specific sector where WBO Italcables operates, the credit lines granted by Banca Etica and CCFS have played a crucial role in supporting working capital at the start of activities and increasing the cooperative's credibility with financial intermediaries. Facilitating the involvement of financial operators typical of the cooperative movement (CFI and Coopfond) was fundamental in the project's success. However, in the initial phase, despite the intervention of the aforementioned operators and Banca Etica, there were difficulties in accessing credit from traditional financial market operators. In the first two years of operation, the cooperative's activities were greatly affected by the lack of support from the banking sector. At times, there were insufficient financial resources to finance the purchase of wire rod (raw material) for production. As a result, the company could not meet the significant product demand and had to turn down numerous orders, negatively impacting revenue.



For the cooperative, when support from the financial sector was uncertain, coping with the lack of financial resources in the short term was particularly challenging. Especially in the initial stages, dealing with credit institutions that were unfamiliar with the recent and distant history of the company required lengthy procedures to obtain credit. During the phase of equipment purchase and production facility renovation, the typical financial operators of the cooperative movement, CFI, Coopfond, and Banca Etica, were the only sources of financing. After the initial phase, the cooperative was later able to diversify its sources of funding thanks to the cooperation received from local and national banks, following good financial results.

However, there have been additional challenges that risked compromising the continuity of the new cooperative's production activities. Firstly, in the initial phase, delays in receiving the advance payment of unemployment benefits from the workers, to be contributed to the capital of the new cooperative, almost prevented them from submitting the purchase proposal within the established timeframe. Moreover, the lengthy acquisition process (almost three years), during which production was halted, caused the expiration of the necessary quality certifications for selling the finished product. This complicated the initial phase considerably. Another identified risk factor was the difficulty in accessing credit outside the traditional cooperative channels. In certain periods, the lack of credit hindered the purchase of raw materials, resulting in a production blockage and the inability of the cooperative to fulfil all orders.

6.3 Company #3: Birrificio Messina



The brewery, launched in 2016 and currently in an expansion phase, is equipped with facilities that allow the production of diverse types of beer while maintaining excellent efficiency and reduced energy consumption. The cooperative leverages as its strength the extensive competence and experience gained by its working members. The production cycle ranges from beer production to bottling. In recent years, the brewery has started exporting a portion of its production (c. 5%).

6.3.1 Reasons for WBO – needs and preconditions

Birrificio Messina was born out of a 15-member WBO initiative aimed at continuing the operations of 'Birrificio Messina', which has long been a significant pillar of the local economy. Beer production in Messina (under the Birra Messina brand) was started in 1923 by the Lo Presti-Faranda family. In 1988, the company was acquired by Dreher SpA of Milan, which later became Heineken Italia. In January 2007, Heineken announced the end of production in Messina, transferring the workforce to other locations across Italy. Triscele Srl (a company owned by the Faranda family) decided to acquire the business branch in December 2007 for EUR 4.3 million. In 2012, having been unable to regain market share, Triscele Srl decided to cease production in Messina and initiated collective dismissal procedures for around 40 employees.



6.3.2 WBO description

In response to the decision to close the facility in Messina, 15 former employees of Triscele Srl initiated a WBO project with the aim of acquiring the business division and continuing the production of craft beer. The project was launched with the financial support of the Fondazione Comunità di Messina, CFI and Coopfond and was realised in July 2014 with the establishment of the new cooperative.

The Fondazione Comunità di Messina initiated a fundraising campaign for the company's development. This initiative garnered significant media attention, drawing interest from both local and national press, as well as capturing the attention of traders, bar owners, and restaurant managers. This interest translated into concrete letters of intent for purchase, allowing for an instant assessment of the potential market for Birrificio Messina's beer.

Furthermore, the new cooperative received support from the Heineken Group, which backed the initiative through financial, entrepreneurial, and commercial support. Specifically, Heineken expressed its willingness to order at least 15 000 hl/year of beer to sell under the Birra Messina brand (which is owned by the Heineken Group), as well as to use its distribution channels to market the beer under the cooperative's Birrificio di Messina brand. The cooperative then leased with a promise to purchase two warehouses to be converted into new industrial facilities. Two years later, in 2016, it started production while the industrial facilities were still being installed. By 2021, turnover exceeded EUR 3 million, and the workforce had grown from 15 to 25 employees.

The cooperative is managed by a board of directors, which typically convenes every one to two months, made up of five members (three members are cooperative worker members, and two are representatives of the financing members). In Birrificio Messina, the members are also informally summoned following each board meeting to be informed about the discussions and resolutions taken.

6.3.3 Financial structure of WBO

The facilities of the new cooperative were built from scratch and designed to meet the planned production capacity outlined in the business plan. The WBO operation required significant initial investment, partly supported by the workers and interventions from CFI and Coopfond. However, it also involved ethical finance, the local community, the entrepreneurial network, and the traditional banking sector.

Thanks to the financial and organisational support of the Community Foundation of Messina, numerous institutional entities participated in the project, allowing the cooperative to lease two industrial buildings for five years from May 2014 for a total rent of EUR 40 000 per year, with a purchase option. The purchase cost at the end of the lease was EUR 810 000 net of the rent payments already made. The cooperative had undertaken maintenance work on the properties amounting to EUR 115 000. In addition to this, investments of EUR 2.7 million were made for machinery to start the production process. The total investment to start production was therefore just over EUR 3 million. Resources were gathered partially through share capital and partly through financing.

When production started in 2016, the share capital of the new cooperative was c. EUR 1.2 million. EUR 656 000 of this was contributed by 15 working members (EUR 356 000 from unemployment benefits and EUR 300 000 from severance pay), EUR 150 000 came from CFI, and about EUR 350 000 from other financiers (Messina Community Foundation (Fondazione Comunità di Messina) and two local entrepreneurs).

Coopfond provided EUR 300 000 of financing, and the Regional Institute for Credit for Cooperation (Istituto Regionale per il Credito alla Cooperazione) provided a loan of EUR 500 000. In addition to the equity stakes obtained initially from the Fondazione Comunità di Messina and two local entrepreneurs, in 2021 Sefea Impact (an ethical financial institution) provided EUR 750 000 for the capitalisation of the cooperative. Afterwards, BCC Antonello da Messina (Banca di Credito Cooperativo Antonello Da Messina) provided a loan of EUR 160 000, and Unicredit Bank disbursed another EUR 600 000 in the form of a loan.

Public funds were activated through the intervention of CFI. The institutional investor provided EUR 150 000 of capital, EUR 150 000 of debt financing and EUR 140 000 of subsidised financing in total. Moreover, since January 2022, Birrificio Messina has been a partner in a Life-Restart project, *'Reuse of bEer Spent grAin foR bioplasTics'*⁶², co-funded by the European Union.

The share capital of Birrificio Messina at December 31, 2021, amounted to EUR 1 788 425, composed as follows:

- 12 810 shares with a unit value of EUR 25, totalling EUR 320 250, held by working members.
- 58 727 subsidy shares with a unit value of EUR 25, totalling EUR 1.5 million, held by financial members and contributed to the Consolidation and Business Development Fund. Of these, 22 187 shares (EUR 554 675) are held by working members, while the others are distributed among financial members, CFI, Messina Community Foundation, and Sefea Impact. Specifically, the entry of Sefea Impact (an ethical financial institution) with a share capital of EUR 750 000 followed the departure of one of the private financing partners.

Table 7: Financial structure of Birrificio Messina.

Initial share capital	EUR 1.2 million: <ul style="list-style-type: none"> • EUR 650 000 from 15 working members (EUR 356 000 from unemployment benefits and EUR 300 000 from severance pay). • EUR 150 000 from CFI. • EUR 350 000 from other financiers (Fondazione Comunità di Messina and two local entrepreneurs).
% workers' share capital at the beginning	55%
Number of worker members at the beginning	15
Equity instruments	CFI <ul style="list-style-type: none"> • EUR 150 000. Sefea Impact <ul style="list-style-type: none"> • EUR 750 000 .
Debt financing	CFI <ul style="list-style-type: none"> • EUR 150 000 (loan) + EUR 140 000 (subsidised financing). Coopfond <ul style="list-style-type: none"> • EUR 300 000 (loan). Credito alla Cooperazione <ul style="list-style-type: none"> • EUR 500 000 (subsidised financing). Banca Etica <ul style="list-style-type: none"> • EUR 200 000 (loan). Unicredit <ul style="list-style-type: none"> • EUR 600 000 (loan). BCC Antonello da Messina <ul style="list-style-type: none"> • EUR 150 000 (loan).

62 Reuse of bEer Spent grAin foR bioplasTics, Project information available at: <https://webgate.ec.europa.eu/life/publicWebsite/project/LIFE-21-ENV-IT-LIFE-RESTART-101074314/reuse-of-beer-spent-grain-for-bioplastics>.

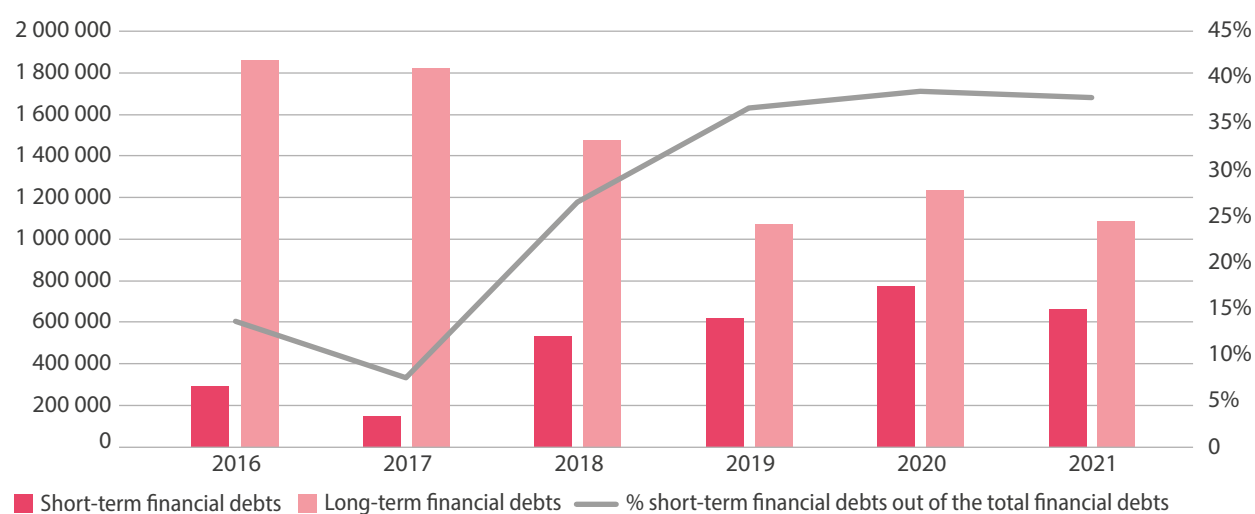


Other financial support	Other financiers have also contributed to the cooperative's share capital: EUR 60 000 from Messina Community Foundation, EUR 275 000 from two local entrepreneurs and EUR 750 000 from Sefea Impact (an ethical financial institution).
Other non-financial support	Technical assistance: CFI and local community
Transaction costs	The acquisition involved two industrial buildings, leased at an annual rate of EUR 40 000, with a purchase option at EUR 810 000. Additionally, maintenance works amounting to EUR 115 000 and machinery investments of EUR 2.7 million were incurred.
Private financial support	Coopfond – Banca Etica – Unicredit – BCC Antonello da Messina – Sefea impact – local entrepreneurs
Public (national) financial support	CFI
Public EU support	Birrificio Messina has been a partner in a Life-Restart project, 'Reuse of bEer SpenT grAin foR bioplasTics' co-funded by the European Union

Source: Author, based on an interview with a representative of Birrificio Messina.

With regards to the cooperative's debt overall, the initial acquisition of the production facility was almost entirely financed through unsecured loans. After the initial investment, over the years, the amount of long-term financial debt has consistently decreased in relation to a gradual growth of short-term debt. Generally, medium-to-long-term financial debts have always outweighed short-term debts. These debts have remained primarily of a banking nature. In fact, the proportion of debts to members for financing in relation to the total financial debts is not significant. The unsecured loans obtained by the cooperative from local and national banks were granted through the provision of personal guarantees by the members.

Figure 11: Financial debts trend of Birrificio Messina (EUR, %).



Source: Author, based on Aida Bureau Van Dijk data (2023).

Table 8 : Birrificio Messina's debt financing plan.

	Type of Loan	Amount (in EUR)	Maturity	Interest rate	Deferred payment	Guarantee
Coopfond	Loan	300 000	Seven years	4.5% subsequently reduced to 3%	Two years	None
Ircac	Subsidised financing	500 000	Nine years	0.3%	n.a	None
CFI	Subsidised financing	140 000	10 years	0.8%	One year	None
CFI	Loan	150 000	Seven years	ECB rate + 1%	Two years	None
Unicredit	Loan	600 000	n.a	n.a	n.a	None
BCC Antonello da Messina	Loan	150 000	n.a	n.a	n.a	None
Banca Etica	Loan	200 000	n.a	n.a	n.a	None

Source: Author, based on an interview with a representative of Birrificio Messina and desk research.

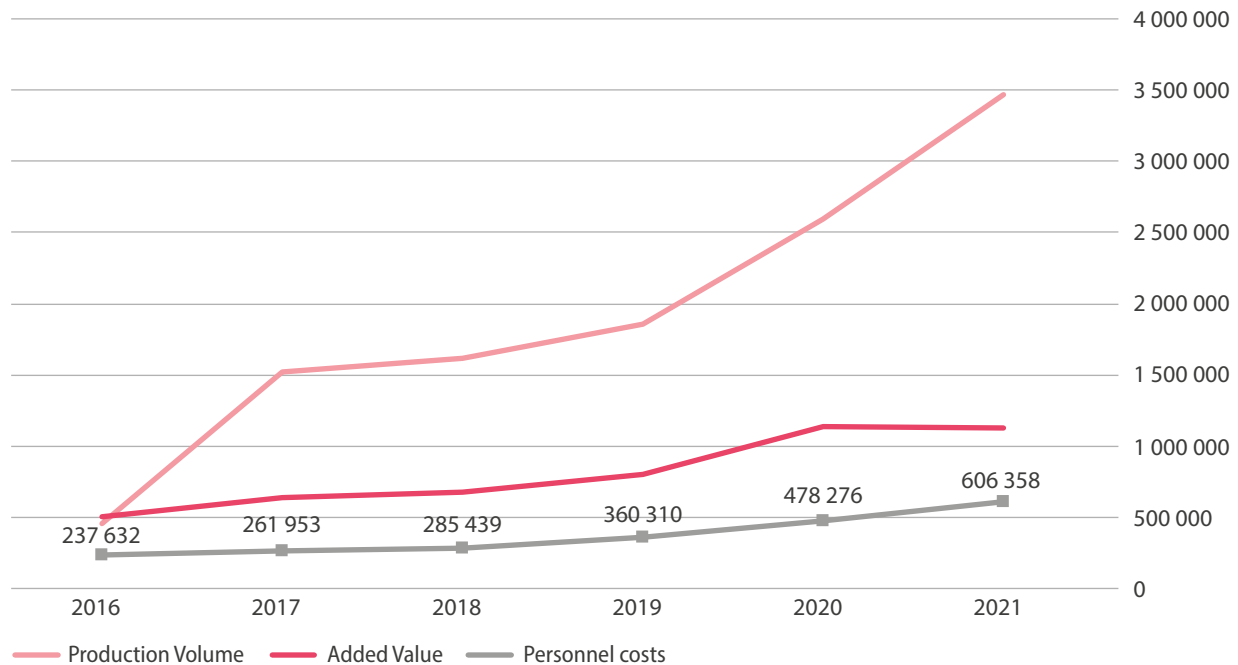
6.3.4 What was the impact of the WBO

The previous owner stopped production because it had been unable to recover lost market share. The cooperative focused its production on craft beer, for which there was strong demand, initially targeting the local market. This market proved to be very responsive to purchasing a historical product relaunched by a group of struggling workers. In this sense, the contribution of the Fondazione Comunità di Messina was crucial, as it saw in this recovery project the opportunity to revive a historic entrepreneurial entity deeply embedded in the community. Alongside this, the partnership with the Heineken Group for contract beer production proved to be fundamental, ensuring a solid foundation for the project right from the start.

Overall, it can be observed (see figure below) that Birrificio Messina has experienced significant growth both in terms of production and added value over the years, indicating a strong developmental trajectory. This growth has also been reflected in personnel costs and employment. The workforce has indeed increased from 15 employees in 2016 to the current 25.



Figure 12: Evolution of production volume, value added and personnel costs (EUR).



Source: Author, based on Aida Bureau Van dijk data (2023).

6.3.5 Lessons learned

This project has demonstrated that community involvement can be a determining factor in the success of a WBO. Without the guidance and support of an entity like the Messina Community Foundation, this project would have struggled to survive. Media attention encouraged both institutional actors and major commercial entities to participate in the project, such as the Heineken Group. Furthermore, the professional skills and expertise developed by the members during their years of work within a large commercial group like Heineken, which trained them to be flexible and multitask, proved to be a decisive factor.

However, the president of the cooperative says it has had difficulties in accessing credit, especially in the initial phase. In order to access the necessary financing through private banking channels, the members were required to provide personal guarantees. Nonetheless, the cost of credit has been found to be particularly burdensome.



07

Synthesis of information from company case studies

Based on the insights gathered from stakeholder interviews in Italy, the analysis of the existing institutional setting facilitating WBOs and the interviews in the case studies included, the following key points and conclusions have been determined in the Italian context:

Needs and preconditions	<p>In all three cases, the main need was to preserve employment and ensure a stable income for the workers involved in company crises. In Italy, most WBOs stem from business crises. The related support schemes and the significant skills and expertise of the workers in their respective industrial sectors proved to be determining factors in all three case studies.</p> <p>Furthermore, the importance of individuals or entities that can function as catalysts is evident in all three cases. Whether it is a national cooperative association, a private professional, or a community foundation, these figures played a crucial role in translating the workers' aspirations into concrete projects. Their ability to mobilise financial, organisational, and networking resources was fundamental in successfully initiating and sustaining the WBO process.</p> <p>Finally, the common goal of maintaining economic activities in their respective local communities emerged clearly in all three cases. These examples demonstrate that WBOs can not only preserve employment but also contribute to local economic growth and strengthen community connections.</p>
Ideal target sectors	<p>Although the three case studies all come from the manufacturing sector, just like most buyouts in Italy, there are significant differences between them. It's not possible to identify a specific ideal sector for this type of buyout, but it is possible to outline their characteristics. Generally, WBOs are more achievable in sectors with low capital intensity, characterised by strong worker know-how. These sectors are primarily connected to Made in Italy production.</p>
Ideal target employees	<p>In general, companies with a long history and/or located in industrial districts or strongly connected to the social economy can be a good starting point. In the Italian context, we are primarily talking about SMEs with a turnover of less than EUR 100 million.</p> <p>From interviews with key stakeholders and analyses of case studies, three main characteristics of workers involved in successful buyouts in Italy emerge:</p> <ul style="list-style-type: none">• Sectoral skills and experience: Workers involved in successful buyouts in Italy often possess elevated levels of competence and expertise in their respective industrial sectors. This expertise may stem from years of work experience within the troubled company or related fields. Their in-depth knowledge of operations, market dynamics, and technologies is a key factor for the success of the transition towards cooperative management.



Ideal target employees	<ul style="list-style-type: none">• Motivation and commitment: Involved workers demonstrate strong motivation and commitment to ensuring the success of the buyout operation. This motivation may arise from the fear of losing their jobs, potentially due to limited alternative options, and from their attachment to the local community. Their dedication is often a decisive factor in overcoming initial challenges and maintaining high-quality and efficient productivity.• Flexibility and Adaptability: Workers involved in successful buyouts exhibit notable flexibility and adaptability. They are willing to acquire new skills, take on different roles, and collaborate for the collective benefit of the company. This flexibility is essential for managing the various challenges that can arise during the transition and growth phases of the new cooperative management.• In general, it is emphasised that an ideal group of employees to support a successful buyout project should encompass all necessary skills, including managerial ones. In cases where this aspect is lacking, it is strongly recommended to incorporate external figures capable of filling such gaps right from the initial stages.
Legal forms	In Italy, WBO operations are exclusively realised in the form of cooperatives, specifically in the form of worker-owned cooperatives.
Debt and collateral requirements	Regarding debts, financial members have requested particular attention to the financial sustainability of the cooperatives. The growth of financial debts over the years has been supported by a steady increase in turnover. Generally, medium-to-long-term debts outweigh short-term debts, and bank debts constitute most of the debts, even though the Italcables and Birrificio Messina WBOs have shown a significant incidence of debts owed to financial members.
Capital structure of the company / Liabilities	<p>The three different case studies involve companies of varying sizes and different business types. This implies that they have distinct financial situations and objectives. However, in all three cases, the typical financial instruments used in worker-led business recovery operations have proven to be complementary, even in the case of companies (WBO Italcables) requiring significant investments and strong working capital support, such instruments have proved suitable. Additionally, what has united all three cases is the difficulty in accessing credit encountered from external financial intermediaries outside the cooperative realm. In the initial phases, the cooperatives faced a lack of trust from the private banking sector due to the failure of previous ownership. This aspect seems quite common in the initial stages of WBOs and is at risk of being a determining factor for the success of the project. In fact, what emerges as early as during the startup phase is the need not only to gather financial resources destined to fund the share capital and the acquisition of business branches, but also aimed at renovating production facilities that often appear outdated.</p> <p>The initial capital of the three cooperatives ranged from EUR 1.2 to 1.8 million and was collected through a combination of contributions from worker members (using advance unemployment benefits) and financial members (CFI, Coopfond) typical of the cooperative movement. In some cases, peculiarities emerged, such as the participation in the capital by private commercial companies or community foundations.</p> <p>In summary, all three case studies highlight the complexity of financial implications in the context of a WBO operation. The ability to access credit and the balance between equity capital and debt are critical aspects that have influenced the success and stability of the cooperatives over time. The financial structures typical of the cooperative movement and the proposed financing methods have adapted to the specific needs of each cooperative and the sectors in which they operate, but all cases demonstrate the importance of having alternative sources of financing to support the initiation and growth of WBO operations.</p>

08

Potential to use ESF+ and other EU resources in support for WBOs

8.1 Potential of ESF+ financial instruments

As the Italian context is quite well-developed for WBO operations, both in terms of legislative framework and the network of different stakeholders supporting cooperatives, ESF+ resources can be used to complement the different financial options already available for WBO in the country. One option could be to activate ESF+ resources for generational renewal, which is still not covered by the available financial instruments in the Italian legislative framework.

Moreover, based on the identified needs in specific geographic areas, ESF+ could be activated more at the regional level since, as outlined before (see Chapter 4 Supply-side Analysis), few regions in Italy have established regional initiatives specifically for WBOs – including a limited use of Foncooper resources – and only one, Campania, has established a revolving fund with ESF 2014–2020 resources. Representatives from the managing authority of the ESF+ programme in Sardinia are also exploring the possibility of using ESF+ resources to set-up a financial instrument in support of WBO. Overall, considering the data analysed, WBOs in Italy are more concentrated in the northern and central regions, while the south, which has the highest level of unemployment as well as the highest mortality rate of enterprises coupled with higher constraints in accessing credit, has recorded few WBOs since the introduction of the Marcora law in 1985.

For instance, regions can use financial instruments with ESF+ resources to establish specific funds for debt or equity instruments to be managed by private financial intermediaries, which could leverage their resources. These funds could also attract resources from mutualistic funds in the form of equity/quasi-equities. Additionally, in the case of debt instruments, cooperative guarantee consortia can contribute with guarantee instruments to limit the risk adversity of financial intermediaries. A combination with grants in one operation could also be an option to be considered, where grants can finance business support services.

ESF+ can also finance counter-guarantee mechanisms, even at a national level, to further support the guarantee consortia. A more advanced option could be to activate initiatives based on social impact investment. Typically, this could have the form of a social impact bond, in which the outcome payer (i.e. the managing authority) pays back the investors using, for instance, the return on public investment (i.e. part of the total tax revenue generated by the funded cooperatives).



8.2 Exploring possibilities of combining financial instruments with grants

Grants can be combined with financial instruments to finance technical assistance and non-financial services. ESF+ could play an essential role in divergent phases of the process:

- To support the training activity of the cooperative network of operators currently involved in the promotion and accompaniment of WBO initiatives.
- In the phase of supporting the growth of awareness of the workers involved in corporate crises/in business succession processes with respect to the essential characteristics and opportunities offered by the WBO model.
- In consultancy dedicated to start-ups and the consolidation of the entrepreneurial and managerial skills of workers and their role as partners, to support strategic, market and organisational development.

The expertise of CFI and cooperative associations should be involved in the provision of these non-financial services.

8.3 Potential involvement of EIB Group via EU-level financial instruments

The European Investment Bank (EIB) and EIF could play an important role in facilitating access to finance for WBO and cooperatives through partner financial institutions and by providing advisory support to strengthen the capacity and knowledge of such institutions. Furthermore, EIB Group as a main implementing partner of the European Commission under the EU can be instrumental in developing and activation of national or EU-level initiatives for this specific target area, in which more coordination effort and know-how is required.

EIF involvement in the deployment of centralised EU instruments – EaSI programme and InvestEU – can play a significant role in complementing the existing financial instruments in Italy and the different financial support mechanisms foreseen in the Marcora law. As seen in the CFI's experience, the EaSI guarantee has allowed the mobilisation of more resources with significant benefits for the cooperatives supported⁶³ and this is continued under the InvestEU Social investment and skills policy window instruments.

To follow up on the EaSI success, guarantee and counter guarantee instruments could be put in place under the InvestEU Social investment and skills policy window:

- Guarantee instrument - in cooperation with the cooperative guarantee consortia and the mutual funds, which can manage the financial instruments and add their own resources.
- Counter-guarantee instruments to support cooperative guarantee consortia, so that they can guarantee more financial intermediaries and involve them in the provision of debt instruments to the WBO cooperatives.

⁶³ Cooperazione Finanza Impresa, *Balance 2022 (Bilancio 2022)*. [Online]. Accessed on 30 September 2023, available at: <https://www.cfi.it/chi-siamo.php>.



8.4 Practical hints for managing authorities

Suggestions for managing authorities include:

- Conduct awareness campaigns to disseminate information about WBO models in Italy and Europe to cooperative networks, policymakers, business owners, trade unions, and workers and about the possibility and key advantages of activating financial instruments with ESF+ resources.
- Organise round tables with existing stakeholders and potential investors and financial intermediaries in WBO operations to outline long-term objectives, targets, and action plans to promote and scale up WBOs using financial instruments.
- Establish a policy dialogue with the EIB Group to understand what support it could provide in the design, set-up, and implementation of financial instruments as well as in promoting awareness and knowledge exchange.
- Conduct market analysis to understand the current situation of WBO operations and enterprises in crisis to assess their potential conversion into WBO operations, to identify potential financial gaps that can be covered with financial instruments.
- Consider exploring whether and how existing and/or planned financial instruments could be used to support WBOs, and if necessary, making some adjustments in their scope / eligibility criteria.
- At regional level, investigate the possibility of using regional funds foreseen in the Marcora law (i.e., Foncooper) in combination with ESF+ resources to activate financial instruments.



Suggestions and next steps

The next steps should focus on developing programmes aimed at overcoming the main difficulties identified for the promotion of WBOs. Specifically, in the three areas as described in the following sub-chapters.

➤ **Impact of Marcora law**

In parallel with the suggestions provided above, it is recommended to further support WBO operations in Italy, to improve the provisions of the Marcora law by extending its scope beyond the situations of corporate crisis and including the financial support in cases of generational/succession crises. The debate and the draft law are ongoing, so it is recommended to proceed with the approval of the implementing decree to expand the Marcora law to generational renewal. Moreover, the legislative framework should also consider including large enterprises.

➤ **Financing for feasibility analyses**

Another aspect emerging from the analysis suggests that it would be useful to foster the emergence of new WBOs and mitigate the risk for workers, to introduce resources/grants to finance feasibility analyses of WBO projects. This is especially true when such operations involve entering different markets or a significant restructuring of the production set-up. In such cases, the need to involve external experts to support activities like information sharing, training, coaching, planning, and consultation during the startup phase becomes evident.

➤ **Support from the public sphere**

In addition, public authorities should support the cooperative networks in the collection, analysis and monitoring of data and information about WBO operations in Italy, especially in terms of their financial needs for which currently there is a lack of information, in order to have a more comprehensive picture of the phenomenon.

10 Conclusion

The framework in Italy for financial support of WBO operations is one of the most advanced in the EU, due to the historical tradition of the cooperative movement and the related legislative context supporting it. Several different actors in the cooperative network have contributed and still contribute to support workers that decide to acquire and save companies in crisis.

There are different financial products – debt instruments, equity, and quasi-equity instruments, guarantees – already used in this context which have played a key role especially in the start-up phases of the WBO operations, when the financial constraints are more accentuated. Moreover, the existing cooperative network also provides technical assistance and non-financial services, essential to limit the workers' knowledge gap and lack of skills in managing the newly established workers' cooperatives.

However, the use of ESF to design and implement initiatives to specifically support WBO operations with financial instruments is still limited in Italy. There is a great potential to explore, design and implement initiatives with ESF+ financial instruments especially in those regions with limited use of the existing financial support for WBOs foreseen in the Italian legislation and provided by the cooperative framework. ESF+ financial instruments can be designed in combination with grants and using the support provided by EaSI and InvestEU. These financial instruments can also improve the involvement of the private financial intermediaries and additional investors which perceive the investment in WBO operations as too risky.

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