



European Union
European Regional
Development Fund

ATM for SMEs
Interreg Europe



REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

Project “ATM FOR SMEs”
REGIONAL ACTION PLAN
Autonomous Region of Sardinia



March 2019

CONTENTS

PART I – GENERAL INFORMATION	2
PART II – THE ATM FOR SMES PROJECT	3
PART III – POLICY CONTEXT.....	6
PART IV – DETAILS OF THE ACTIONS ENVISAGED	10
ACTION 1 - COMBINED ERDF + ESF MEASURES IN FAVOUR OF SOCIAL AND ECONOMIC INCLUSION.....	10
ACTION 2 –NETWORK OF MICROCREDIT PROVIDERS.....	14
ACTION 3 – RISK ASSESSMENT METHODOLOGY	18

Abstract

The document provides details on how the lessons learnt from the cooperation within the project “Access to Microfinance for Small and Medium-sized Enterprises” (ATM for SMEs), financed under Interreg Europe 2014-2020, will be implemented in order to improve the policy instrument tackled within the Sardinia Region.

The “ATM for SMEs” project aims at improving the implementation of policies addressing enterprise development or sustainable employment in the participating regions, so that they can contribute to a better access to local microfinance programs for SMEs and self-entrepreneurs.

The interregional exchange and the knowledge transferred within the project has encouraged the Sardinia Region to identify and promote specific activities in the field of microcredit support through alternative channels (in relation to traditional banking) as a way to foster the economic and social inclusion in the island, in line with the inclusive growth goal set up by the EU 2020 strategy.

In this context, the Interreg Europe Programme has confirmed its strategic support in helping regional and local governments across Europe to develop and deliver better policy by creating an environment and opportunities for sharing solutions and ideas.

The participation to the project has indeed helped the Sardinia Region to capitalise on its strengths and explore new opportunities in order to ensure that the regional investments and policy efforts could effectively have a sustainable impact for the economic and social progress of its local community.

Part I – General information

Project: **ATM FOR SMEs**

Partner organisation: **AUTONOMOUS REGION OF SARDINIA**

Country: **ITALY**

NUTS2 region: **SARDINIA**

Contact person: **MR. ANTONELLO CHESSA (anchessa@regione.sardegna.it; +39 070 6064698)**

The Action Plan aims to impact: **Investment for Growth and Jobs programme**

Name of the policy instrument addressed: **Sardinia ERDF Operational Programme 2014-2020**

SARDINIA REGION



Sardinia is an Italian administrative region (NUTS 2 according to EU classification)

Total population: around 1.65 million inhabitants (~ 2,7% of total Italian population)

Low population density: almost 69 inhab/km²

Regular decrease of residents in last 8 years
➔ *negative forecast for the future: estimation of a further decline (-19,47%) in 2065*

GDP per capita: €20.600 (69% of EU-28 average)

Unemployment rate: 17 % (11,2% in Italy,

NEET rate: 24,1% (20,1% in Italy, 10,9% EU-28)

Population at risk of poverty or social exclusion: 38,1% (% EU 28 average)

(Source: EUROSTAT; all data refer to 2017)

Regional economic situation mirrors the latest trends of global performance and is characterised by a slow and vulnerable growth, still exposed to potential negative risks arising from financial market dynamics, geopolitical pressures and demographic change.

Sardinian economy is dominated by the tertiary sector, likewise to the national structure, while agriculture and farming have a stronger role if compared to the Italian average (sheep farming and sheep products are particularly relevant to local economy). Strategic contributions also come from tourism, trade and public sector together with a growing new technologies segment. As for the industrial sector in the strict sense, Sardinia has a long tradition of coal, zinc, iron, silver, lead and bauxite exploitation together with a valuable granite extraction.

The business environment is dominated by micro-enterprises (around 98%) with an average of 2,8 employee; doing business appears to be very difficult in recent years, mainly due to credit crunch, high level of business mortality and lack of innovation.

The difficulties of local economy in finding a positive path, since the kick off of the crisis in 2008, severely affect the scarce levels of employment in the island, which is one of the Italian regions with the lowest number of working people, especially among young generation (18-24 years).

PART II – The ATM for SMEs Project

In the context of economic crisis which has been investing Europe in the last years, microfinance has emerged as a strategic mean to foster social and financial inclusion, promote self-employment and support the development of micro-enterprises.

In Europe there is a wide variety of microfinance programmes, each with its own characteristics and actors, but with the common objective of providing financial and non-financial support to SMEs and social entrepreneurs, in particular with reference to credit access and business development.

In this framework, the project “Access to Microfinance for SMEs” (ATM for SMEs) aims at improving the access of SMEs to microfinance in the participating regions by sharing and exchanging the local knowledge on innovative solutions.

The “ATM for SMEs” project perceives microfinancing as a key factor for inclusive growth in the regions and therefore it improves the local policy environment in order to generate new projects and initiatives in the field of microfinance, capitalising on the experiences accumulated in the participating regions.

With an available budget of around € 1.7 million (ERDF around € 1.3 million), the overall objective of the project is to improve the implementation of policies addressing enterprise development or sustainable employment in the participating regions, so that they can contribute to a better access to local microfinance programs for SMEs and self-entrepreneurs. In particular, through the interregional exchange and the intensive learning process, the project intends to empower regional authorities and business development organisations to implement adequate local responses to one of the key obstacles that small companies, start-ups and self-entrepreneurs are facing, i.e. the lack of credit and targeted business development services.

This way, the horizontal objective of the project is to address the issue of facilitating the access to microfinancing and enterprise development services for the vulnerable groups at risk of discrimination and financial exclusion, in particular those people who have disadvantaged positions in the labour market such as women, jobseekers, NEETs, migrants etc...

The implementation of the project is articulated into 2 phases:

- PHASE I: 01.04.2016 - 31.03.2019 (36 months)

During PHASE I, project partners have taken part to an intensive interregional learning process, focusing on the exchange of good practices and experiences on policy implementation. The main output of this phase will be the production of an action plan by each partner finalised to the integration and deployment of the lessons learnt from the interregional cooperation within regional policies. The final objective is to influence, through the improvement of the related policy instrument, regional programmes and actions by

generating new projects and/or adopting new tools and innovative approaches for a better management of policies.

- PHASE II: 01.04.2019 – 31.03.2021 (24 months)

Phase II is mainly concentrated on the monitoring of the implementation of the regional action plans in each participating region.

The “ATM for SMEs” consortium is led by Fejér Enterprise Agency (HU) and is characterized by a balanced proportion of managing authorities and microfinance institutions coming from several EU countries, and a European level advisory partner.



Fejér Enterprise Agency (HU) - LP
Ministry of Finance Deputy State Secretariat Responsible for Implementing Economic Development Programs (HU)
European Business and Innovation Centre of Burgos (CEEI Burgos) (ES)
KIZ SINNOVA company for social innovation GmbH (DE)
Zala County Foundation for Enterprise Promotion (HU)
Autonomous Region of Sardinia – Planning Department (IT)
PORA Regional Development Agency - Koprivnica Krizevci County (CR)
Microfinance Norway (NO)
Świętokrzyskie Region – Marshal Office of Świętokrzyskie Region (PL)
European Microfinance Network EMN (BE)

These microfinance actors and managing authorities have the common goal of increasing the social and financial inclusion of their target groups and are looking forward to improve their instruments and strategies in order to reach and cater to the needs of their beneficiaries.

While completing specific studies and analyses of the local context, all partners have participated to several study trips - organised by each participating region (except for the advisory partner) - discussing and deepening the good practices exchanged while subsequently transferring the knowledge acquired to the local level, notably during regular meetings with local stakeholders and open workshops.

Part III – Policy context

European SMEs in general suffer from a lack of commercial sources of finance. The main problem is that many companies are deemed non-bankable by commercial banks, such as micro enterprises or small companies with little or no credit history. For better-situated companies, funding is available from both banks and other non-bank institutions. For others' various government supported initiatives exist to support those that struggle to obtain commercial forms of financing, especially loans.

According to a definition widely recognised across Europe, enterprises and individuals with difficulties in accessing credit are defined as "non-bankable " as they are not considered "eligible" to get services and/or financial products through the traditional financial and banking sector because they do not meet the "bankability" requirement. In other words, "non-bankable" enterprises or individuals do not offer enough refund capacity, as resulting from the examination of their credit history and other variables such as employment status, repayment ability and the economic validity of the initiative to be financed.

After the start of the global crisis significant interventions have been made by both the European Union and Member States to ease conditions for SMEs to raise capital in the financial market as well as towards other "unbankable" categories.

European and national policy-makers have developed and promoted several programmes and initiatives in order to support the economic and social inclusion of these categories, including their capacity to access loans and guarantees other than grants.

Nevertheless, many efforts are yet needed to remove obstacles to accessing finance and addressing financial exclusion. In this context, microfinance, offered through various modalities across Europe, is turning to be more and more a crucial instrument with its financial and social impact.

In the short term it helps to realise prospective for non-bankable projects; in the medium-long term the investments improve the companies' competitiveness, lead to the opening up of new job opportunities and eventually contribute to local wealth creation, contributing to the reduction of disparities, poverty and promoting inclusive growth.

In the last decade, in Sardinia there has been a growing attention towards the so-called "unbankable" categories.

Along with traditional tools in support of business growth, job creation and local development, the Sardinia Region too has become more and more committed in promoting specific initiatives in order to provide financial support for the economic and social inclusion of those individuals who stand in a particular situation of disadvantage and facilitate their entrepreneurial endeavours in order to improve their economic situation and consequently reach a better way of living.

Since the programming period 2007-13, specific initiatives have been carried out, mainly financed under the European Social Fund (ESF), European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD), with the objective of promoting financial inclusion and access to credit.

In this context, it is worth to mention the following initiatives which have proved to be particularly noteworthy in the field of preventing financial exclusion:

- ❖ Microcredit Fund (credit of limited amount to individuals or companies “non bankable”)
- ❖ SME Guarantee Fund (provision of direct guarantees, co-guarantees and counter-guarantees)
- ❖ Regional Fund for Inclusive Finance (direct guarantees and counter-guarantees)
- ❖ Venture Capital Fund “Ingenium Sardegna” (seed capital, initial capital and expansion capital to SMES and cooperatives)
- ❖ Fund for the development of the Cooperative system (risk capital investments for cooperatives)
- ❖ “PISL-POIC” fund (loans to support entrepreneurial development and job creation in favour of “vulnerable” categories, such as jobseekers, young people and women, and in specific territorial areas).

Following this orientation, the Regional Development Plan 2014-2019 has, among its diverse priorities, the clear common objective of strengthening the efforts in favour of local economic competitiveness and social development by encouraging the creation, growth and consolidation of businesses along with the support of skills development.

A special attention is reserved to the adoption of financial instruments for enterprises, including measures to face credit crunch and facilitate credit access, including the development of a non-banking economy in favour of those categories of people interested in starting a new business but with difficulties in accessing credit through traditional channels.

In this framework, the Sardinia Region has decided to confirm different measures in the field of microcredit provision, notably in favour of disadvantaged categories, and the support to business development and credit access within the ESF and ERDF resources.

In particular, following the successful experience gained in the programming period 2007-2013, the Microcredit Fund is continued to be implemented under the Sardinia ESF Operational Programme 2014-2020 in order to support access to microcredit by different categories, such as women, unemployed, NEETs, migrant etc etc...

It is worth mentioning that the current instrument offers support services, for example mentoring & coaching, along with the provision of loans according microcredit standard.

In line with the philosophy behind the ESF Microcredit Fund, also the ERDF Operational Programme includes different measures in favour of credit access and risk financing, in particular the support to highly innovative MSMEs in the pre-seed, seed and start-up as well as strengthening entrepreneurial activities together with social development.

The intensive learning process and the sharing of good practices, as matured within the ATM for SMEs project, has had a positive impact on the implementation of the Sardinia ERDF Regional Operational Programme 2014-2020, improving it through the introduction of

innovative elements and better adapting it to local needs, in the light of promoting an effective social and economic inclusion of disadvantaged categories.

During the interregional exchange within the project, the Sardinia Region has gained awareness of the need of defining well-structured local policies in favour of social and economic inclusion, starting from the positive experience of the ESF Microcredit Fund, one of the local consolidated Good Practices, and combining microcredit loans with support services to entrepreneurship in order to pursue effective financial sustainability and social outreach in the medium-long term.

This approach has been influenced by the following good practices, which have been particularly inspiring:

- Setting up an extensive distribution network of financial intermediaries offering financial instruments at favourable conditions to a wide range of business – Ministry for National Economy, Hungary
- Methodology on assessment of financial risk in uncertainty environments for micro credits aiming at entrepreneurs and SMEs – CEEI BURGOS, Spain
- Sustaining and scaling financial services demand for a MIS which serves to boost productivity, transparency and ensures quality – KIZ Sinnova, Germany
- A combined grant and micro-credit scheme was created to address the lack of tailor-made products for microenterprises in Hungary using structural funds - Ministry for National Economy, Hungary

The sharing of experiences with the other partners and the knowledge acquired has then led the Sardinia Region to consider different kind of the actions in order to support social and economic inclusion with the final objective of better addressing these priorities within the ERDF Operational Programme 2014-2020.

In this context, the combination of traditional measures in favour of credit access and business creation & development together with the implementation of a reference network of microcredit providers and the identification of an innovative risk assessment methodology for the allocation of loans in favour of “unbankable” categories should allow to contribute to the mentioned objective.

The local stakeholders have been actively involved in the first phase of the project through official regular meetings, held each semester, the participation to project activities organised in Sardinia and also other meetings promoted by the regional administration.

Their input has represented a strategic added value in the definition of this Regional Action Plan, as their experience in the provision of micro-loans and business support has turned to be really important in the identification and definition of the measures to undertake in order to ensure the optimal achievement of the goals set within the project.

Nonetheless, during the local workshops, held in Nuoro (26 October 2018) and Sassari (12 March 2019), the local stakeholders have officially underlined the relevance of the ATM for SMEs project for the development of microcredit in Sardinia and their convinced intention to be effectively involved in the activities which will be promoted by the regional government

in this framework. After sharing the results of Phase I in the Local Stakeholders meeting on March 25th (with the participation of both ESF and ERDF Regional Managing Authority) and adopting consequently the Regional Action Plan to be monitored in Phase 2, a local workshop to be held in April 2019 in Cagliari will be dedicated to further disseminate the contents of the RAP.

Part IV – Details of the actions envisaged

Action 1 - Combined ERDF + ESF Measures in favour of Social and Economic Inclusion

1. Relevance to the project

The Sardinia regional government has a long tradition in the definition and implementation of general and sectorial strategies aiming at supporting the competitiveness of local enterprises, in the framework of a more comprehensive territorial economic and social development.

In the last decade, a growing attention has been reserved to specific initiatives in favour of the financial and social inclusion of those individuals who face particular situation of disadvantage, in order to facilitate their entrepreneurial development.

The global crisis, which has touched the region significantly, has effectively led the administrators to consider, along with traditional instruments supporting local economic system, innovative tools in favour of small businesses growth and development as a way to support economic and social well-being.

In the light of high unemployment rates, especially among women and other disadvantaged categories, and driven by several pilot projects showing a growing demand for microcredit, in 2009 the Sardinia Regional government has set up, through its Labour Department, a Microcredit Fund co-financed under the ESF resources (Sardinia Operational Programme 2007-2013).

Operational since 2009 and confirmed in the current programming period 2014-2020, the Fund has the objective of fighting unemployment and social exclusion by supporting business initiatives promoted by individuals with difficulties in obtaining credits and/or facing disadvantaged situations. Under this instrument the Sardinia Region provides loans, from a minimum of € 5,000.00 up to € 25,000.00, at zero interest rate and through monthly payments starting six months after the conclusion of the contract (18 months for companies being funded on the date of application).

The scheme is applicable to all economic sectors, but it is particularly addressed to the following key priority areas: retail, manufacturing, social and personal services, tourism, ICT, environmental protection, energy efficiency and renewable energies, cultural services, craft sector and business services.

Over the years the Microcredit Fund has proved to be very efficient and sustainable, with almost 4.000 beneficiaries (3.806 in the period 2007-2013, and 169 in the first two calls of 2014-2020) and an overall granted amount of 91,2 million euro, together with a recovered budget of 10 million (thanks to its revolving capacity).

It is important to highlight that in the current programming period, loans will be disbursed along with a wide range of support services both with reference to enterprise creation and business management.

On the other hand, the ERDF Regional Operational Programme traditionally includes several measures in favour of SMEs competitiveness, such as boosting local SMEs in traditional

sectors, promoting innovation solutions, improving SMEs environment and supporting credit access.

Starting from the successful practice of the Microcredit Fund and in strict combination with the long experience in the field of SME support using ERDF resources, in the last years the Sardinia Managing Authorities of the ERDF and ESF Operational Programmes have been involved in developing a synergic collaboration in order to identify joint actions in favour of a comprehensive economic and social development in Sardinia.

Since 2016, the two Managing Authorities effectively started to discuss about the opportunity to join the efforts in order to test a strategic governance for the management of measures supporting financial and social inclusion, starting from their related experience and crossing available resources.

The idea behind the building-up of this partnership was to connect the commitments of the two ROPs in the field of economic and social development - with the ERDF emphasizing the entrepreneurial and business aspects and the ESF more concentrated on social effects - with the final objective of financing initiatives for entrepreneurial development and social inclusion being competitive and with long-lasting results.

Within this intensive partnership, which has also capitalised the experiences of the programming period 2007-2013, it has been created the “Social Impact Investing Fund”, by joining a specific measure of the ERDF Regional Operational Programme 2014-2020:

- Action 3.7.1 “Supporting and strengthening entrepreneurial activities having socially desirable effects (budget: € 2 million)

with two measures of the ESF Regional Operational Programme 2014-2020 (with an overall budget of € 6 million):

- Action 9.1.4 “Promoting the experimentation of social innovation projects
- Action 9.2.2 “Specific Initiatives for the professional inclusion of disadvantaged groups

In this framework, the three measures and related budget will be implemented through a single Instrument, the so-called Social Impact Investing Fund, which will finance actions in the field of entrepreneurial development and social inclusion.

The operational plan of the SIIF, which has been approved in September 2018, identifies a model involving public and private actors, starting from the regional Managing Authorities (which identify social needs and promote strategic tools) to the Fund Manager (which manages investments and returns), but also the investor (ensuring capital collection and investments, eventually working as a projects accelerator), the evaluator (in charge of rigorous and transparent monitoring of social and financial markers) and ultimately the enterprises, which ensure its financial sustainability and deliver social and economic outcomes.

The Social Impact Investing Fund will be managed and implemented by the SFIRS SpA, (Società Finanziaria Regione Sardegna SpA), the regionally owned financial institution with over 45 years of experience in supporting local enterprises and boosting social and economic development in the region (which already disburses the ESF Microcredit funds)

The first call for projects is foreseen at the beginning of 2019 and it will include different products, addressing micro and small and medium-sized enterprises but also disadvantaged categories with the objective of setting up a business.

It is important to stress that in the process of defining the SIIF, the good practices and discussions shared with the ATM for SMEs' partners - in particular during the study trips in Offenbach, Cagliari and Kielce – have helped the Sardinia Region to introduce some innovative elements, taking particular inspiration from the GPs related to the setting-up of a network among microcredit providers, the evaluation procedures for the delivery of microcredit loans and the definition of risk assessment methodologies.

In particular, the participation to the project has contributed to the building-up of the strategic governance between the Managing Authorities of the ERDF and ESF Sardinia Operational Programmes, officially approved with the Regional Government Decision n. 36/22 of 25.07.2017, taking inspiration from the lessons acquired during the interregional exchange.

The specific elements which characterise the Fund, which have been inspired by the project, regard the adoption of articulated evaluation procedures, for the provision of loans and services, in a way to ensure the financial sustainability and social outreach of the supported initiatives as well as the definition of operational measures as to guarantee the strict correlation of social impact targets and economic returns on invested capital.

Starting from the concrete application of the Fund, whose first call is foreseen to be launched during Spring 2019 as already stated, the Managing Authorities of the ERDF and ESF Operational Programmes intend to confirm this strategic governance and promote integrated actions addressing Micro and Small and Medium-sized enterprises, but also disadvantaged categories, with the awareness of the potential opportunities deriving from joint instruments and resources in favour of local economic development and social inclusion.

Besides, answering to a specific request from the local stakeholder group, as arisen during the preparation of the regional action plan, the implementation of some measures could also be open to the involvement of some of the main local microcredit providers - such as COOPFIN, Finsardegna and Acanta among the others - in the management of some actions and measures, such as the management of small amounts or specific tools.

Their experience in the provision of microloans and business development services, as well as their deep knowledge of specific communities and situations, could effectively foster the social and economic outreach of the measures which will be promoted in this framework.

In this framework, the Planning Department of the Sardinia Region, in charge of the management of the ATM for SMEs project, will actively contribute to the development of

ERDF + ESF joint activities, ensuring their coordination with the project and EU policy orientations.

2. Nature of the action

The core of this action will focus on the support to the implementation of the Social Impact Investing Fund, whose first call is foreseen during spring 2019.

As described before, the main goal of the action is to support credit access through alternative channels (alternative to traditional banking financing) and promote entrepreneurship development with social impact, in line with regional development orientations and EU 2020 strategy.

In this context, the action will include the following activities:

- Support to the development and consolidation of the partnership between ERDF and ESF Managing Authorities
- Support to the publication of the call(s) of the Social Impact Investing Fund
- Assessment of the applicability and operability of the Social Impact Investing Fund
- Identification of other (ERDF & ESF) measures to be jointly implemented in favour of economic development and social inclusion
- Capitalisation of results and planning of similar partnerships and cross-funding initiatives to be developed in the programming period 2021-2027

The Sardinia Regional Government is confident that the envisaged strategic governance (ERDF+ESF Authorities) together the implementation of specific actions will help to reach the following results:

- Increased number of entrepreneurial activities with social impact
- Experimentation of new social innovation projects
- Implementation of initiatives for the professional inclusion of disadvantaged groups

3. Players involved

The main actors involved in this action will be:

- Planning Department, Autonomous Region of Sardinia (management of ATM for SMEs project, support activities in the development and realisation of the measures, monitoring of the results)
- ERDF ROP Managing Authority, Autonomous Region of Sardinia (policy definition as well as identification and implementation of the measures)
- ESF ROP Managing Authority, Labour Department, Autonomous Region of Sardinia (policy definition as well as identification and implementation of the measures)

- Società Finanziaria Regione Sardegna (SFIRS) SpA, the regionally owned financial institution (in charge of managing the funds, investments and returns)
- Local microcredit providers (implementation of some measures, or part of them, and/or specific initiatives)
- Evaluators of Social Impact Investing Fund (in charge of rigorous and transparent monitoring of social and financial markers)
- Private investors (ensuring capital collection and investments, eventually working as project accelerators)
- Local enterprises (which will finally deliver social and economic outcomes)

4. Timeframe

2019-2021

5. Indicative costs

€ 16 million, according to the ESF and ERDF outlook

6. Indicative funding sources

- Sardinia ERDF ROP 2014-2020, Axis III Competitiveness of the production system
- Sardinia ESF ROP 2014-2020, Axis II Social Inclusion

Action 2 –Network of Microcredit Providers

1. The background

In line with policy and legislative developments at EU level, in 2010 the Italian government has introduced specific rules for microfinance provision through the Legislative Decree D.lgs. n. 141/2010, thus updating the applicable Consolidated Law on Banking (D.Lgs. n. 385/1993, art. 111 and 113).

In 2014, the Ministry of Economy and Finances has regulated the implementation of the new provisions in the field through the adoption of a specific Decree (n. 176, 17/10/2014), which provides the following main rules for microcredit:

- microcredit for entrepreneurial activities (in order to start a new business and/or facilitate labour market access): applicable to individuals and specific categories of companies, ceiling of € 25.000 per beneficiary (in certain conditions, this limit may be increased by 10,000 EUR), maximum duration 7 years (up to 10 years in specific cases)

- microcredit aiming at promoting social and financial inclusion projects: applicable to specific individuals, ceiling of € 10,000 per beneficiary, maximum duration of five years
- no collaterals
- eligible expenditure: e.g. purchase of goods and services, including insurance policies, salaries, training costs (also university or postgraduate)
- delivery of support services (e.g. project idea development, training, marketing, advisory)

In this framework, a strategic role is played by the National Authority for Microcredit (*Ente nazionale per il Microcredito*) which coordinates, supports and promotes the national activities in the sector (two main types of projects: direct playing and matching field actions), in harmony with government policy orientations and EU instruments implementation.

The Authority also represents the national contact point of the “European Progress Microfinance Facility” and it is full member of the “European Microfinance Platform” and the “Microcredit Summit Campaign”.

Within this regulated framework, the National Authority for Microcredit appoints, according specific rules, official microcredit providers in charge of the disbursement of the loans and services in compliance with the applicable regulatory framework.

In the Italian panorama, we find different types of microfinance providers, both in the private and public sectors, and in the religious domain as well. On the private side, bank financing is available according to traditional rules, notably through foundations and credit institutions (both national and local), but even other foundations and associations are disclosing an active commitment.

Concurrently, the public sector is particularly engaged in southern regions and includes several funding schemes managed by the central government, regions, other local authorities and some universities too.

Religious providers mainly refer, for their part, to the Italian Episcopal Conference, Dioceses and Caritas.

This pattern is evident in Sardinia too, where are operational different types of financial services provided by the non-banking system, both in the private and public sector, and even, for limited scopes, by actors referring to religious institutions.

The development of new channels, as alternative to traditional banking credit, has been determined by the growing awareness of the existence of a wide category of persons who cannot access to credit due to the lack of sufficient financial guarantees.

According an approach common with other southern Italian regions, the public sector is actively engaged with various instruments managed by the central government, regions, other local authorities and even some universities.

The Sardinia Region, in particular, has a consolidated tradition in the provision of incentives, grants, guarantees and venture capital, but also in the development of specific economic projects. Generally, it operates in the field through its in-house financial institution, SFIRS SpA (Società Finanziaria Regione Sardegna), which has over 45 years of experience in supporting local enterprises. As we have seen, the main regional instrument for microcredit is the so-called “Microcredit Fund”, co-financed under the ESF Operational Programme, set up in 2009 and confirmed in the programming period 2014 2020.

On the private side, an active role is played by trade associations, guarantees consortia, especially those linked to the cooperatives system, and other organisations. In this case, financial products and services mainly refer to the granting of guarantees, but new initiatives have been developing in relation to microcredit, crowdfunding and business development services.

Concurrently, other non-profit associations and religious institutions (e.g, the Italian Episcopal Conference and Caritas) provide financial assistance in terms of small credit allocation or support services to local communities, specifically with reference to certain vulnerable categories.

In general, regional microcredit providers mainly deal with loan schemes, although it is actually under development the identification of other categories of services, such as tutoring, advisory and support activities.

The participation to the ATM for SMEs project has allowed to gain a better and deeper understanding of the local context of microcredit providers, which have been actively involved in the project activities through the Local Stakeholder Group.

The members of this Group have been gathered during a general meeting, organised in Cagliari on 30 May 2016, and in connection with a desk analysis outlining the main practices and procedures implemented in Sardinia by private associations and organisations.

These operators have thus had the opportunity to become aware of the main developments of the project and liaise directly with the other partners during the study days organised in Cagliari (Sardinia) 10-12 July 2017.

The Local Stakeholders Group includes, together with regional actors involved in the management of relevant ERDF and ESF funds, also other private operators like Coop.Fin, Finsardegna and Acanta among the others which have had the opportunity to illustrate their commitment and actions promoted in the field of microcredit provision and business development.

Some initiatives, such as the Microcredit tool managed by Coop.fin, have been selected as a Good Practice within the ATM for SMEs project.

In this framework, the Sardinia Region has understood the importance of supporting a further enlargement and consolidation of the Local Stakeholder Group in order to build a comprehensive network of microcredit providers, taking inspiration from the Good Practice “Building up a broad financial intermediary level in channelling financial instruments” developed by the Hungarian partner “Ministry of Finance”.

This good practice, as referred by the partner, has represented an important factor in the success of the Economic Development Operational Programme (EDOP) programmes between 2007 and 2013 as the large number: and the various types of financial intermediaries (29 banks, 55 savings cooperatives and 56 microfinance institutions) secured a broad outreach of the implemented actions, in both geographic and social terms.

Following this approach, the construction of such a network, in Sardinia, together with the implementation of connected activities, has the goal of enhancing relations and integrated actions among the different actors involved in microcredit/microfinance provision, building upon their knowledge and experiences while contributing to the dissemination of the different tools existing in the field.

2. Action

The objective of this action is the creation of a network of microcredit operators in order to foster synergies among the several actors involved in microcredit/microfinance provision and raise a better and widespread awareness of the different initiatives available in the region.

This action will include the following specific activities:

- Mapping local microcredit providers in the different levels: public, private and civil society
- Identification of available services and target groups
- Networking activities in order to promote the involvement of relevant organisations and operators
- Setting up of the network and functioning rules
- Creation of an online platform for the dissemination of the network and the operators/services available
- Promotion of the network
- Definition of integrated actions
- Regular meetings of the involved organisations and operators

The following results are expected following the successful implementation of the activities:

- Increased number of microloans
- Increased number of existing micro & SMEs
- Increased number of occupied persons
- Unemployment reduction
- Identification of social effects

3. Players involved

The main actors involved in this action will be:

- Planning Department, Autonomous Region of Sardinia (in charge of policy definition, coordination of the network and promotion)
- ERDF Managing Authority, Autonomous Region of Sardinia (involved in policy definition and implementation of specific activities)
- ESF Managing Authority, Autonomous Region of Sardinia (involved in policy definition and implementation of specific activities)
- Local Stakeholder Group ((involved in policy definition and implementation of specific activities)
- Microcredit providers (involved in policy definition and implementation of specific activities)
- Trade Associations (implementation of specific activities, support to networking and promotion)
- Chambers of Commerce (implementation of specific activities, support to networking and promotion)
- Civil Society dealing with Microcredit (implementation of specific activities)

4. Timeframe

2019-2021

5. Costs

To be determined

6. Funding sources:

- ERDF Operational Programme
- Regional Funds

Action 3 – Risk Assessment Methodology

1. The background

As mentioned in the previous sections, the so-called “unbankable” categories include those companies and individuals (who want to start a new entrepreneurial initiative) with difficulties in accessing credit through traditional channels.

According to regional guidelines for microfinance provision, “individuals with difficulties in accessing credit and in disadvantaged conditions” are defined as “non-bankable” as they are not considered adequate to get services and/or financial products through the traditional financial sector because they do not meet the “bankability” requirement.

In other words, “unbankable” enterprises or individuals do not offer enough refund capacity, as resulting from the examination of their credit history and other variables such as employment status, repayment ability and the economic validity of the initiative to be financed.

In general terms, in order to grant a loan, the client refund capacity is thoroughly evaluated, taking into account the following factors: the amount of income received, the possession of formal guarantees, specific banking and credit exposure and any other available information regarding the ability to repay the loan in relation to personal characteristics and objective circumstances.

According to 7th Observatory of Credit to Small Business (<20 employees), carried out by Fondazione Impresa in 2015, the main difficulties in obtaining credit for Italian small companies is mainly linked to the demand for excessive collaterals (49,5%) but also to high interest rates (23,4%) and excessive procedural times (21,2%). The data contained in the Observatory demonstrate that, despite the first signs of general economic recovery, banking loans to enterprises, notably those with a limited dimension, are still low, especially if considering the trade and craft sector.

In general terms, several institutions and organisation underline a local marked difficulty in obtaining credit especially for the “unbankable” categories, notably in Italian southern regions like Sardinia, which have been facing a critical economic situation for years and where local SMEs are experiencing concrete obstacles in finding adequate means and support for their development.

Indeed, the uncertain economic outlook, the high risk of insolvency of some applicants and the complexity of assessing the solidity of each debtor have generated adverse selection procedures and led to the adoption of restrictive credit funding policies.

This trend has fostered the growth of new financing channels, alternative to banking credit, which adopt more flexible tools for loan granting, in particular with reference to the request of collaterals.

During the interregional exchange developed within the project, the Sardinia Region has had the opportunity to share a common understanding of the importance of finding appropriate procedures for credit allocation, balancing financial requirements related to payback capacity and socio- economic circumstances.

The project partners have indeed referred about local situations characterised by slow economic recovery associated with growing social inequalities, underlining the need to support credit demand for business purposes, trying to analyse as much as possible the loans applications with flexibility and specificity.

In this context, the good practice “Methodology on assessment of financial risk in uncertainty environments for microcredits aiming at entrepreneurs and SMEs” developed by the partner CEEI Burgos (Spain) has moved the Sardinia Region to reflect about the definition of an innovative risk assessment methodology in order to facilitate credit access by the so-called disadvantaged categories.

During the partners’ meetings, the Sardinia Region has deepened its knowledge of the above-mentioned methodology, which has been developed by CEEI Burgos following the participation to another Interreg project called DIFASS (in which the Sardinia Region figured as a partner too), financed under Interreg IV C 2007-2013.

The methodology has been implemented and tested for over 5 years, allowing CEEI Burgos to disburse business microloans in favour of rural entrepreneurs without asking for guarantees/collaterals and keeping a high-quality portfolio with 98,3 % of survival rate of the projects supported.

The methodology is built upon a comprehensive approach based on the combination of a wide range of evaluation techniques (including risk ratio, structural operational analysis, credit officer assessment and negative credit record).

2. Action

The objective of this action is to define an innovative risk assessment methodology to be used in relation to micro-loans provision in order to enhance the capacity of the so-called “unbankable” categories to loans and guarantees, and at favourable conditions.

The methodology will be developed and implemented through the following activities:

- Analysis of the local framework as for credit access and microloans facilities
- Identification of local “unbankable” categories and their obstacles/needs
- Outline of variables and indicators detecting social effects
- Benchmarking of risk assessment methodologies applied to microcredit and microfinance
- Definition of a risk assessment methodology with a flexible approach to local characteristics (e.g. context, providers’ capacity, target groups etc...)
- Application of the methodology in appropriate calls launched by the Sardinia Region
- Promote the application of the methodology among other microcredit/microfinance providers

The following results are expected following the successful implementation of the activities:

- Increased number of microloans
- Increased number of existing micro & SMEs
- Increased number of occupied persons
- Unemployment reduction
- Identification of social effects

3. Players involved

The main actors involved in this action will be:

- Planning Department, Autonomous Region of Sardinia (involved in the definition of the action, benchmarking activities and coordination with the project)

- ERDF Managing Authority, Autonomous Region of Sardinia (involved of the definition of action definition, benchmarking activities and coordination with external evaluators)
- ESF Managing Authority, Autonomous Region of Sardinia (involved of action definition, benchmarking activities and coordination with the project)
- SFIRS SPA (advice and expertise for the identification of technical aspects of the methodology)
- External Evaluators (advice and expertise for the identification of technical aspects of the methodology)

4. Timeframe

2019-2021

5. Costs

To be determined

6. Funding sources:

- ERDF Operational Programme 2014-2020
- ESF Operational Programme 2014-2020
- Regional Funds

Date: March 27th 2019

Name and function: Gianluca Cadeddu, General Director

Signature: _____

Stamp of the organisation: _____