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Microcredit for start-ups and micro-enterprises: the Region Friuli Venezia Giulia legal framework

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June 27 - July 1, 2022 | EoE 9 - Funchal

Objectives of the Regional Policy instrument

SUPPORT TO START-UP AND MICRO-ENTERPRISE ACTIVITIES

What is it about?

Microcredit is a financial instrument that aims to meet the needs of financial and social inclusion of those who have difficulties in accessing traditional credit.

- Microcredit is a financial instrument aimed at those who cannot access traditional credit due to **lack of collateral** or due to **insufficient credit history**.
- It is not simply a small amount loan, but **an integrated offer of financial and non-financial services**. What distinguishes microcredit from ordinary credit is the **attention to the person**, which translates into welcoming, listening and **supporting the beneficiaries** from the pre-disbursement to the post-disbursement phase, as well as the particular attention paid to the validity and the **sustainability of the business** project.

Legal Framework

Legislative Decree 1 September 1993, n. 385 (*Consolidated text of banking and credit laws - CTBL*)

- Decree of the Ministry of Economy and Finance October 17, 2014, n. 176 (*Discipline of microcredit, in implementation of article 111, paragraph 5, of the legislative decree 1 September 1993, n.385*)

Regional law 22 February 2021, n. 3 (*Provisions for modernization, growth and sustainable development towards a new economy in Friuli Venezia Giulia - DevelopBusiness*).

- Decree of the President of the Region 17 October 2012, n. 209/Pres. (*Regulation containing criteria and methods for granting subsidies to companies for access to credit from the regional Fund for economic initiatives and the Fund for the development in implementation of Article 8, paragraph 1, of regional law 2/2012*)

CTBL (LgsDcr 385/93)

Article 111 (*Microcredit*)

1. The **subjects registered in a specific list** can grant **microcredit loans** to natural persons or partnerships or simplified limited liability companies or associations or cooperatives, for **start-up or exercise of self-employment or micro-enterprise activities**, provided that the loans granted have the following characteristics:
 - they have an amount **not exceeding € 75,000**;
 - they are **not backed by collateral** [personal guarantees are admitted];
 - they are accompanied by the provision of **auxiliary services of assistance and monitoring** of the financed subjects.

CTBL (LgsDcr 385/93)

Article 111 (*Microcredit*)

2. **Enrollment** in the list is subject to the following **conditions**:
- a) **form** of joint stock company, limited partnership by shares, limited liability and cooperative;
 - b) **paid-up capital** of an amount not less than € 250,000;
 - c) requirements of **integrity** of the controlling or significant **shareholders**, as well as of integrity **and professionalism** of company **representatives**;
 - d) **corporate purpose** limited only to microcredit activities as well as ancillary and instrumental activities;
 - e) presentation of an **activity program**.

TUB (LgsDcr 385/93)

Article 111 (*Microcredit*)

5. The Minister of Economy and Finance, after consulting the Bank of Italy, issues **implementing provisions**, also regulating:

- requirements concerning the **beneficiaries** and the **technical forms** of the loans, providing in any case a duration of the loans **up to 15 years**;
- objective limits, referring to the **volume of activities**, the **economic conditions** applied and the **maximum amount** of individual loans, however **excluding** any type of limitation regarding **revenues**, the level of **debt** and **assets**;
- the **information** to be provided to customers.

CTBL (LgsDcr 385/93)

Article 111 (*Microcredit*)

1 *bis*. The subjects registered in the specific list can grant loans **to limited liability companies** without the limitations indicated, in any case for an amount **not exceeding € 100,000.00**.

4. Even **non-profit legal entities**, in possession of the characteristics identified by the Minister of Economy and Finance, as well as the integrity requirements of the controlling or relevant shareholders, can provide non-prevalent loans at rates adequate to allow the **mere recovery of expenses** incurred by the creditor, in favor of **individuals** in conditions of particular **economic or social vulnerability**.

DevelopBusiness (RL 3/21)

Article 42 *(Reform, modernization and simplification of tools for facilitating access to credit for enterprises)*

1. This section **reforms the regional instruments for facilitating access to credit** for enterprises [regulated by Regional Law 27 February 2012, n. 2] in order to provide the regional economy with an organic system of modern, flexible and adequate support measures to meet the challenges that the credit market proposes. The reform also identifies **new tools**, extending operations to leasing, **promoting microcredit and reduced amount credit**, introducing the possibility of strengthening subsidized financing interventions with **additional contributions to reduce financial charges**.

DevelopBusiness (RL 3/21)

Article 55 (*Provisions for the implementation of the reform of the rules concerning the facilitation of access to credit for enterprises*)

6. In order to **immediately implement** the benefits established by this law:

- the endowments of the Fund for the development of SME's and services can also be used for the activation of **microcredit** for start-up or exercise of self-employment or micro-enterprise activities, with **simplified procedures**, even without the acquisition of guarantees on loans; for these purposes, the **subjects operating in the regional territory authorized to grant microcredits** pursuant to Legislative Decree 385/1993 can make an **agreement with the regional administration**, under the conditions and subject to possession of the requisites identified through a announcement, approved by resolution of the Regional Council.

DevelopBusiness (RL 3/21)

Article 55 (*Provisions for the implementation of the reform of the rules concerning the facilitation of access to credit for enterprises*)

6. [continuing] In order to **immediately implement** the benefits established by this law :

- with the resolution of the loan for the realization of investment and business development initiatives from the Fund for development, a **supplementary contribution** of the loan itself can be attributed for the **reduction of the related financial charges**;
- with **particular reference** [among others] to the case of granting **subsidized loans in the form of microcredit** to support start-up or exercise of self-employment or micro-enterprise activities.

DevelopBusiness (RL 3/21)

Resolution of the Regional Council of 27 May 2022, n. 767.

- *Approval of the agreement scheme between the Region and the subjects operating in the regional territory authorized to grant microcredit pursuant to Article 111 of Legislative Decree 385/1993, with reference to the activation of microcredit to support start-up or exercise of self-employment or micro-enterprise, as well as the announcement that identifies the conditions and requirements on the basis of which the aforementioned subjects can enter into an agreement with the Region for the activation of microcredit from the Fund for the development of SMEs and services.*

With the RRC 767/22 the Region proceed along the path of **completing the reform** of the instruments for facilitating access to credit for enterprises, as required by RL 3/2021.

RCR 767/22 (Agreement)

Article 1 *(Object and purpose of the agreement)*

1. Pursuant to article 55, paragraph 6, of Regional Law 3/2021, this agreement regulates the **relations between the Region and the Microcredit Operator**, having the requisites referred to in article 111 of the legislative decree 385/1993, **in relation to the implementation** of loans to support the start-up or activities of self-employment or micro-enterprise, hereinafter referred to as microcredit loans.

Article 2 *(Presentation of the application for the implementation of microcredit loans)*

1. The **application** for the implementation of microcredit loan is presented **by the enterprise to the Microcredit Operator**.

RCR 767/22 (Agreement)

Article 3 *(Financial investigation and transmission of the request for resolution on the application)*

1. Formally acknowledged **on the basis of the declarations** contained in the application that this falls within the purposes allowed by the relevant legislation, the **Microcredit Operator autonomously carries out the economic-financial evaluation** of the application itself in compliance with the rules governing the exercise of the activity of concession of microcredit loans and its own internal regulations.
2. Once the preliminary investigation referred to in paragraph 1 have been carried out, the **Microcredit Operator transmits the request** for resolution on the application, signed by the applicant company, to the **Management Committee** through the Fund for the development Secretariat, using the model approved with decree and published on the website of the Region.

RCR 767/22 (Agreement)

Article 5 (*Loan contract*)

1. For each resolution of concession adopted by the Management Committee, the **Microcredit Operator is required to enter into a microcredit loan** agreement with the beneficiary company in compliance with the **schemes approved by the Management Committee**. The funding underlying the microcredit loan is **covered for a share equal to 60% by the resources of the Fund for the development**, provided to the Microcredit Operator by the Management Committee.

2. For the **share of funding covered** by the resources of the Fund for the development, microcredit loans are granted with the application of the **rate established by resolution of the Regional Council, in any case not less than 1.20%**. For the remainder, the Microcredit Operator accepts to reserve the **best conditions published** on its analytical information sheets and applied to its contracts **for similar credit transactions** to the beneficiary companies, which it communicates to the Management Committee and the Region.

RCR 767/22 (Agreement)

Article 5 (*Loan contract*)

3. Microcredit loans have a **maximum duration of 10 years** of amortization and **2 years of pre-amortization**, with frequency installments not exceeding the half-yearly one.
5. With reference to any **commissions and preliminary costs** of microcredit loans, the Microcredit Operator accepts to reserve the **best conditions published** on its analytical information sheets and applied to its customers for similar credit transactions to the beneficiary companies.
6. The Microcredit Operator **does not proceed** with the stipulation of the contract, informing the Management Committee, if following the resolution **facts** emerge that are considered by the Microcredit Operator to be **prejudicial or modifying** the assumptions based on the resolution on the application issued by the Management Committee.

RCR 767/22 (Agreement)

Article 6 (*Disbursement of the subsidized loan*)

1. After receiving a copy of the microcredit loan contract from the Microcredit Operator, **upon request by the Microcredit Operator** itself, the Chairman of the **Management Committee**, or by delegation the head of the Fund for the development Secretariat, placing an order of payment **provides funds** to the Microcredit Operator, to be payed into the **relevant bank account** in which sums relating to the implementation of microcredit loans are **deposited**, for the purpose of disbursement of the same to the beneficiary company.

5. The **disbursement of the sums to the beneficiary** of the microcredit loan is certified by the deeds and accounting records of the Microcredit Operator, **certifying the execution** of the credit orders on the bank account indicated by the financed enterprise.

RCR 767/22 (Agreement)

Article 8 (*Extinction of the subsidized loan*)

1. The microcredit loans are **repaid in installments** with a frequency **not exceeding the six-monthly** one.
2. The **contractual default interest** is charged to the company on the unpaid amortization installments.
3. The beneficiary company has the **right to pay off the debt** at any time.

Article 9 (*Payments to Fund for the development*)

1. The **credit risks** on microcredit loans are **borne exclusively by the Microcredit Operator**.
2. Within the terms of January 15 and July 15, the **amounts due for the expired** installments, respectively in the semester 1 July - 31 December and in the semester 1 January - 30 June, must be **paid by the Microcredit Operator to the Fund for the development**, even if the borrowing companies have not made the related payments.

RRC 767/22 (Agreement)

Article 10 *(Separate accounting)*

3. By February 28 of each year, the Microcredit Operator must send the **management accounting report** for the year expired on the previous December 31 to the Fund for the development Secretariat and to the Region, accompanied by an explanatory report on the management itself, according to a **specific scheme** approved by the Management Committee.

Article 11 *(Documentation, inspections and controls)*

3. The Management Committee, the Fund for the development Secretariat and the Region may request the **acquisition of documents** held by the Microcredit Operator in order to **verify compliance with the conditions and obligations** required in relation to the granting of microcredit loans. The Microcredit Operator also assists the Management Committee, the Fund for the development Secretariat and the Region in carrying out **inspections and controls at the beneficiary companies**.

RCR 767/22 (Agreement)

Article 11 (*Documentation, inspections and controls*)

1. The Microcredit Operator is required to **acquire and keep the documentation proving the successful implementation of the initiatives and the incurring of the expenses** covered by the microcredit loan for a minimum period of 10 years following the disbursement date of the loan itself.

Article 13 (*Compensation for the management of microcredit loans*)

1. The **interest accrued** on the microcredit loan in relation to the **share of funding covered** by the resources of the Fund for the development are **retained by the Microcredit Operator** as compensation for the implementation of microcredit loan under this agreement.

Guarantee Fund (L 622/96)

Law 23 December 1996, n. 662 (*Public finance rationalization measures*).

- Article 2, paragraph 100, letter a), established the Guarantee Fund for small and medium-sized enterprises (SMEs).

Interministerial Decree of 31 May 1999, n. 248
(*Regulation containing criteria and methods for granting the guarantee and for the management of the Guarantee Fund for small and medium-sized enterprises*).

- Article 13, paragraph 2 provides that the Committee, on the basis of the Regulation, adopts the necessary operational provisions.

Guarantee Fund (L 622/96)

D. Guarantee Coverage Measures

(D1 Direct guarantee)

1. The **direct guarantee** is granted according to the maximum **coverage measures, which vary according** to the valuation range pursuant to the valuation model or the type or duration of the guaranteed **financial transaction** or the type of final beneficiary, as shown in **the table** [next slide].

- The overall evaluation is expressed by the **probability of default**, by the evaluation classes and by the **rating bands** of the following evaluation scale.

Rating band	1	2	3	4	5
Probability of default	0,12%	1,02%	3,62%	9,43%	>>

Guarantee Fund (L 622/96)

- A **legal reserve of 5%** on the Guarantee Fund endowments is established as a stock, up to a maximum of € 30,000,000, in order to grant the **maximum coverage of 80%** on microcredit loans.

	Maximum coverage measures of the direct guarantee					
Rating band of the final beneficiary	Loans up to 36 months	Loans over 36 months	Medium-long term loans	Risk financing	Loans against investments Innovative SME's	Start-up's
						Microcredit loans
1	30%	50%	30%	50%	80%	reduced amount loans
2	40%	60%				80%
3	50%	70%				
4	60%	80%				
5	Not admitted	Not admitted	Not admitted	Not admitted	Not admitted	

Friulia Finanziaria FVG is a joint stock company established by the Region with the aim of promoting the economic development of the area.

- Through limited company **Servizi e Finanza FVG** offers the opportunity to micro-enterprises and self-employed workers to access microcredit services of PerMicro.

<https://www.friulia.it/it>

PerMicro is one of the most important microcredit companies in Italy and operates with a clear mission of social inclusion.

- Since 2007, PerMicro has provided **32,754 credits** for a value of over € 253 million, helping to support numerous families in temporary difficulty and favoring the **birth and development of entrepreneurial activities** in various sectors, from small businesses to catering, crafts, personal services and many others.

<https://www.permicro.it>

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Thanks for your attention!



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