

VI EDITION OF THE UBI BANCA OBSERVATORY ON “FINANCE AND THE THIRD SECTOR”

The 2016 report focuses on financial requirements and future developments of the two groups of which the Italian third sector is composed: on the one hand the survey explores revenue forecasts for 2017, relationships with banks and the outlook in terms of the financial requirements of social co-operatives; on the other hand the same analysis is conducted on larger size associations (revenue of greater than €50 thousand).

The principal findings for social co-operatives:

1. **the stability of relationships with public administrations worsened (-2.4%) and forecasts of growth in revenues from sales of goods and services on the market improved (+1.6%);**
2. **the use of digital services consolidated (91.6%)** as did the demand to develop services to support fundraising (+2.8%);
3. **requests for financing increased (+3.6%)** and especially those for **investments (+2.4%)**;
4. **self-financing was again the main source (40.9%) used to cover** the planned investments, which are forecast to increase (+11.2%);
5. knowledge by social co-operatives of social impact financing instruments regards one cooperative out of four and of these the **potential pool of users** is seven social co-operatives out of ten.

The principal findings for social associations:

1. forecasts for associations and voluntary organisations in particular (73.3%) are above all of stability (for 2017) in their **relations with public administrations and the relative revenues (63.0%, +11.4%** compared with social co-operatives);
2. **a high percentage use of digital services (92.0%)** and of interest in **the development of services to support fundraising (84.0%). A low percentage** of requests for **financing (18.0%)**;
3. the main source of cover for **future financial requirements** was **self-financing (35.9%)**, followed by revenues received from private individuals (34.0%);
4. both a **poor knowledge** of (34.0%) and **interest in the use (19.0%)** of innovative **social impact financing instruments**.

Milan, May 25th 2017 - With technical assistance from **AICCON** (Italian Association for the promotion of a co-operation and nonprofit culture) UBI Banca presents the sixth edition of the **UBI Banca Observatory on “Finance and the Third Sector”** formed with the objective of continuously monitoring the state of progress and development of the financial requirements of the various organisations that make up the **Third Sector**.

For the sixth consecutive year, observation of the main legally approved types of nonprofit organisations is continuing, commenced in 2011 with an annual analysis of social co-operatives and added to over the years with a focus on **associations (2012)**, **foundations (2013)**, **social enterprises** with the legal form of a limited liability company (2014) and **hybrid organisations with co-operative origins (2015)**.

The sixth edition of the survey, which covers 2016, involved the analysis of a sample conducted by administering a survey questionnaire to the managers of 250 **social co-operatives** and of consortia of social co-operatives and of 100 **large-size associations** in terms of revenue (higher than €50 thousand).

According to the most recent figures (October 2016, source: Unioncamere), **social co-operatives** registered with Company Registrars numbered 22,744. On the other hand, the Ministry for Economic Development’s Association of Social Co-operatives had 23,110 members (February 2017).

Italian associations, however, totalled 269,353 (Italian Office for Statistics, IX Census of Nonprofit Institutions, figures for 2011) and have total revenues of greater than €31.6 billion. Associations with revenues of greater than €50 thousand, from which the 100 organisations which form part of the observatory sample were taken, numbered 46,128 or 17.1% of total associations, which in terms of revenues accounted for 91.0% of total revenues received by associations.

Focus on social co-operatives

The sixth edition of the UBI Banca Observatory on “Finance and the Third Sector” gives us a snapshot of Italian social co-operatives which on the one hand shows a reduction in forecasts of stability for relations with public administrations for 2017 (-2.4%) compared with the previous edition of the Observatory and generally a worsening of forecasts of revenues from contributions, standing arrangements, donations and relations with public administrations (a decrease of 3.6% in growth forecasts and an increase of 6.8% in forecasts of decreases). On the other hand it shows an improvement in growth forecasts (+1.6% compared with the year before) and of stability forecasts (+2.0% compared with 2015) for market revenues which confirms the growing orientation by Italian social co-operatives towards paying demand on the market from individual citizens in order to reach economic sustainability.

On the demand side (social co-operatives), what emerges above all is demand for banking services based on digital technologies and support in terms of fundraising tools. As regards the use of services and instruments* provided by the banks with which they hold accounts, over nine social co-operatives out of ten say that they have used digital services, while with regard to the demand to develop new instruments and services provided by banks, the main request (over seven co-operatives out of ten) regards support for fundraising (up 2.8% on the previous year), which more generally can be seen as a request for support in terms of financial expertise, an area which at times third sector organisations are unable to fully master. Total requests for financing increased (up 3.6% on 2015, a year which recorded a negative trend both for applications to support activities and those for investments). More specifically, 23.6% (up 2.4% on 2015) of social co-operatives declared that they had used financing for investments over the last 12 months.

The viewpoint observed of social co-operatives on the subject of social impact finance was interesting. Slightly fewer than one co-operative out of four declared that they knew of these instruments, even if this knowledge consisted more of an awareness of their existence rather than a real understanding of how these instruments functioned. Seven out of ten of those who declared they knew of social impact finance instruments declared an interest in using these instruments. In order for them to put social impact finance instruments into use, those co-operatives who were interested declared that they needed not only to gain a greater understanding of the instruments themselves, but also of the criteria used to identify the social impact goals. This is an issue which today, with the reform of the third sector (Law No. 106/2016) is subject to discussions both at ministerial level (with the relative decree which must apply the text of the reform in concrete terms) and in the world of social co-operatives, increasingly more desirous of understanding the instruments and the processes designed to assess the social impact that they generate.

Social co-operatives also forecast that their financial needs for investments will increase in the current year (+ 11.2% compared with the previous edition). For those that plan investments (60.4% of the sample) self-financing was again the main source of funding (40.9%, down 6.4% on the previous year) to meet demands for growth and investment.

Finally, 40.4% considered that it is necessary to create a special guarantee fund to **support and increase the demand for investments and therefore for loan applications**. On the other hand, the percentage of those who felt that the range of specialist finance products needs to be broadened for this purpose recorded growth (21.2%, up 8.4% on 2015).

* Finance for working capital⁽¹⁾ = advances on receivables/public administration contributions, advances on “5 per 1,000” tax donations, unsecured guarantees on contribution advances; *bancassurance* services⁽²⁾ = damages policies, access to health funds for employees-collaborators-volunteers; digital services⁽³⁾ = internet banking, apps, POS terminals, digital signatures. In 2015 only the web was found for fundraising; in 2011 POS terminals, both physical and virtual, the web for fundraising and the web for sales of products and services. Automated payment/collection instruments⁽⁴⁾ = Ri.BA. (Payment by advice), receipts via R.I.D. (old direct debit)/SDD (SEPA direct debit). Receipts via R.I.D. /SSD were not recorded in 2012.

Focus on associations

The second part of edition VI of the Observatory reports the findings for Italian associations. It examines the differences and similarities existing between **welfare associations (APS), voluntary associations (ODV) and other types of association not regulated by special laws** (e.g. cultural and recreational associations), as well as with regard to the world of social co-operatives.

Forecasts for associations and voluntary organisations in particular are above all of stability for 2017 in their **relations with public administrations and the relative revenues**. On the other hand, welfare associations are those with the highest percentage (23.5%) decrease in this type of revenue. However, the majority of the associations approached did not envisage having any relations with the market, nor any revenues as a consequence, which confirms the generally non-commercial nature of Italian associations. Nevertheless, the forecast for those who did report market revenues was one of essential stability compared with the previous year. Analysis of revenue forecasts by area of activity showed that the **“Sports activities”** sector is that with the best forecasts of growth in both cases (25.0%), which confirms the strong trends and growth already in progress for associations operating in this area.

The degree to which services provided by banks are used by associations and their interest in them in terms of developing new instruments is the same as that found with social co-operatives, although the percentages differ for the two types of legal entity. Here again the services used most were digital services (92.0%; 0.4% higher than for the sample of social co-operatives), while the main orientation in terms of innovation in the supply of banking services lay in the development of instruments to support fundraising (84.0% compared with 74.6% for social co-operatives). Only 18.0% of associations had made requests for financing (33.6% fewer than for social co-operatives), of which 8.0% for investments.

For associations both the level of knowledge of (three out of ten associations) and the **interest in implementing social impact financing instruments** expressed by the sample of associations (19.0% of associations) was low, above all with regard to welfare associations (29.4% and 11.8% respectively).

Over half of the associations approached forecast an increase in their **financial requirement for investments in the current year** (57.0%). For those that envisaged investments, self-financing was the main source of funding (35.9%, five percentage points lower than for social co-operatives) for financial requirements forecast by associations, followed by revenues from private individuals (34.0%).

UBI Banca's commitment to the third sector

The annual appointment for the presentation of the **“UBI Banca Observatory on Finance and the Third Sector”** survey forms part of a strategic policy to understand the nonprofit sector and to support it more effectively launched by UBI Banca back in 2011 when it created an organisational unit dedicated to the management of relationships with both Church and non-Church customers belonging to the third sector. As part of the **“Single Bank Project”** and the 2019/2020 Business Plan, at the end of 2016 a new organisational structure and positioning with regard to the world of authorities was defined with the establishment of a new strategic Area named UBI Comunità with the aim of overseeing and developing business areas and commercial relations connected with the third sector and the civil economy and also with public authorities and with the various groupings of associations. With these changes UBI Banca set itself the goal of further consolidating and strengthening its relations with the local communities in which it operates and with the various players and economic and social realities existing in them, thereby creating, at the same time, shared value for those communities. This is achieved by promoting and supporting partnership initiatives between the public, private and private social sectors, by increasingly greater inclusion and involvement of local communities and also by sharing the UBI Banca Group's abilities and expertise.

In this context the UBI Comunità Area sets itself the goal, through its Third Sector and Civil Economy Service, of supporting high social impact investments and social enterprise programmes linked to local development, community programmes and new supply chains and also the goal of consolidating and developing its role as a strategic partner for both Church and non-Church third sector organisations able to support them in the pursuit of their social and/or pastoral aims and in their sustainable growth processes.

According to **Vincenzo Algeri, head of UBI Banca's UBI Comunità Area** *"The Observatory has confirmed that the quality and specialist diversification of our range of banking services is indispensable for building long-term relations with the world of social enterprises and non-profit organisations in general. It is a sector that has confirmed its resilience and that continues to grow, particularly on markets on which one sees the retrenchment of public administrations. With this new UBI Comunità Area, UBI Banca has in fact set itself the goal of being the "go to" partner for the various players in the social and civil economy, able to support and to create synergies and form partnerships between public, private and private social sectors".*

"This sixth edition shows that notwithstanding the still low level of knowledge, the world of social co-operatives is very interested in finding out more about social impact oriented instruments" said **Guido Cisternino, head of Third Sector and Civil Economy at UBI Banca**. *"Obviously much will depend on the results of the third sector reform which we expect will unlock the potential of the whole nonprofit world and promote the spread of an ecosystem composed of hybrid models of social finance intervention designed to support impact-oriented investments and innovative solutions able to meet the new social challenges that we are facing."*

"For social enterprises, banks are not only perceived as an intermediary but also as a player that enables connections and that supports management and investment processes" added Paolo Venturi, Director of AICCON. *"That is why in future for the banking sector too, the challenge will be to build service platforms and ecosystems to support innovation and development in a sector that has been profoundly transformed."*

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UBI Banca

UBI Banca is the fourth largest commercial banking group in Italy by market cap, with a market share of over 5%, 1,531 branches located mainly in the wealthiest regions of the country and more than 17,500 employees. In 2013 UBI Banca was awarded a prize for innovation in banking services in the "Charitable bank" category by the Italian Banking Association and the National Prize for Innovation awarded by the President of the Republic.

UBI Comunità

Through its Third Sector and Civil Economy Service, UBI Comunità is the commercial division of the UBI Banca Group specifically dedicated to the third sector and the civil economy. Composed of a team of specialists present at local level, it has an innovative and customised approach to this sector in terms, amongst other things, of providing banking and credit support for the management of daily activities, projects and investments. With UBI Comunità, UBI Banca is adding to a range of services designed for simplified banking operations that are secure and economical, with diversified credit solutions to pay advances on contributions and revenues, together with a range of flexible and customisable financing solutions to support the pursuit of institutional aims and to launch or accelerate economically sustainable paths to growth and social innovation.

AICCON

AICCON – Italian Association for the promotion of a co-operation and nonprofit culture – is a think tank created by the University of Bologna, the Alliance of Italian Co-operatives and numerous public and private sector organisations operating within the sphere of the social economy. It is located in the School of Economics Management and Statistics at Forlì, in the University of Bologna. The association has succeeded in recent years in becoming a point of reference, academically, as a result of the importance of its initiatives and its continuous education and research efforts on salient issues in the co-operation and nonprofit worlds and in the civil economy, conducted in constant contact with the academic community and third sector organisations.