



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION

**SMALL-FIRM CONSORTIA IN ITALY:
AN INSTRUMENT FOR ECONOMIC DEVELOPMENT**

Gianluca Baldoni, Carlo Belliti, Lee M. Miller,

Paola Papini, Silvano Bertini

March 1998

Project US/GLO/95/144

This paper has been prepared in the framework of the UNIDO project US/GLO/95/144 - UNIDO/Italy Programme for SME Development and is one of the project vehicles for exchange of information and experiences on key issues pertaining to the development of small and medium enterprises (SMEs).

The views expressed in this paper are those of the authors and should not be attributed to UNIDO. Nor do the conclusions represent official policy of UNIDO

This paper has not been edited.

CONTENTS

Introduction	Page	4
Guarantee Cooperatives	"	6
Export Consortia	"	11
Creating SME Consortia	"	16
Conclusions	"	21
Bibliography	"	22
Annex 1 – Sample Statute Artisan Credit Cooperative	"	23
Annex 2 – Prato Textile District and its Consortia	"	35
Annex 3 – Sample Statute Export Consortium	"	38
Annex 4 – Italian Legislation on SMEs Consortia development: Law 317/91	"	50

INTRODUCTION

Models of economic development have recently begun to recognize the importance of rooting growth firmly in local contexts in order to produce projects which are viable over time. This approach has placed the emphasis onto small and medium enterprises (SMEs), on one hand, and on analyses of territorial development on the other. The notion that small firms should be the focus of economic development programs highlights their importance in models of “bottom-up” growth and increased employment. Added benefits of these programs include greater social and political stability. However, this focus on SMEs does not overlook their intrinsic limitations. Clearly SMEs do suffer the consequences of their reduced size. Therefore, as development projects are designed around SMEs, their weaknesses must be recognized and overcome. One way to do this is through forms of inter-firm cooperation among SMEs. These forms of cooperation are widely diffused and have been instrumental in the success of small firms in various contexts. This paper will describe such inter-firm cooperation as it has occurred in Italy. Lessons will be drawn from this experience, including suggestions on how to stimulate cooperation, in an attempt to inform development activity in emerging countries.

Inter-firm cooperation in Italy has mainly been associated with the widespread presence of cooperatives and consortia. Along with the traditional productive and consumption cooperatives, established by individuals, a wide array of consortia, founded by firms, has developed since the early 1950s. These consortia were aimed at supporting small firms in areas where they are traditionally weak, such as finance or export. Thus consortia had specific targets and membership requirements, such as a sectoral focus or firm dimension criteria. The most traditional and developed examples in Italy are the credit guarantee cooperatives, export consortia or consortia for product valorization. In establishing these consortia the entrepreneurial associations have played a crucial role, in particular in northern Italy, thanks to the strong relationships with small firms and to their ability in coordinating and promoting the new consortia to local and national governments. The associations' activities in

the early phases of these consortia consisted in providing organizational support and collecting funds among firms and public institutions.

Public support for consortia in Italy is now supplied both by national and local governments. However, this is a relatively recent phenomenon. In fact, the first national legislation specifically dedicated to encouraging the creation of SME clusters and forms of inter-firm cooperation among SMEs was approved only in 1991. At the time of this paper, many portions of the law have yet to be implemented due to numerous bureaucratic difficulties. Along with specific interventions for export and credit cooperatives, national Law 317, 1991, dedicates a whole paragraph to other forms of consortia involving SMEs, with the intention of filling the gaps characterizing the national system of incentives for inter-firm cooperation. More generally, Law 317 is the legal instrument created to respond to the need for a real policy for SMEs: indeed the overall objective of the law is "to promote development, innovation and competitiveness of small firms", intervening not only by supporting firm investment, but also through the creation of those conditions necessary to the creation of an external environment favorable to competitive growth.

The formal recognition of the importance of the local environment to economic development reveals a major change in SME policy. What the literature on industrial districts and SME clusters has argued for some time now has finally been incorporated in an attempt to help create competitive environments to stimulate SMEs. Of note is that forms of inter-firm cooperation in Italy are often born within industrial districts and serve to reinforce the dynamic institutional context.

Law 317 furthermore favors the participation of local institutions in consortia in roles of responsibility. In fact this policy clearly emphasizes the fact that local bodies represent the vehicles, or intermediaries, for economic development.

Local governments are now among consortia's main interlocutors, providing in many cases financial support for specific interventions. This is the situation in Italy. In other contexts, and in emerging countries in particular, it is possible that local institutional environments will vary greatly. Strong local institutions, capable of sustaining efforts on the part of the private sector certainly facilitate inter-firm cooperation efforts as we have seen in the Italian case. However, in areas lacking such support structures, the impetus for SME cooperation may stem solely from the private sector and, only later, involve local bodies when these become solid enough to effectively participate.

The following paragraphs will focus in detail on the two main forms of consortia:
credit guarantee cooperatives and export consortia.

GUARANTEE COOPERATIVES

Overview

Guarantee Cooperatives are private, non-profit organizations created and managed by artisans, with the financial support of public institutions, and are aimed at modernizing artisan production by providing guarantees necessary for their members to obtain credit. Even if the Italian law reserves the use of these cooperatives only to artisans, it is important to note that “artisans” includes the majority of small firms in Italy.

Guarantee cooperatives were first seen in Italy in the early 1950s and were created to help artisans and small businessmen face the rapidly growing market. Investments were needed to start up, to expand and to modernize facilities and equipment, but small firms had little access to credit because of difficulties in preparing the detailed financial records required by banks, the necessity of providing collateral for loans and the hesitancy of banks to grant loans for small sums seen as more risky and less profitable than large ones.

During the 1950-60s the government, in conjunction with the small firm associations, offered two solutions: the first one was the “Artigiancassa” a fund devoted to financing artisans’ investments in new machines (medium, long-term loans), at low interest rates, allowing small firms to avoid costly bank loans. Among the most frequent problems for small firms were operating costs and liquidity, for which short-term and low interest rate credits were required.

The banking system was the most hesitant to provide this kind of credit, not only because of the elevated risk (small firms are characterized by high mortality rates and insolvency), but also because of an insufficient ability to effectively evaluate the financial situation of artisan firms, which tend not to have exhaustive budgets and often do not possess collateral, such as personal assets or real estate.

The Credit Guarantee Cooperatives (CGC) were designed to satisfy these needs, establishing agreements with banks in order to facilitate small firms’ access to short-terms loans. One of the key roles in the CGCs’ development was played by Artisans Associations (such as CNA, Confederazione Nazionale dell’Artigianato or Confartigianato) which supplied the competence, the organization and, sometimes, the offices for the cooperatives and had a prominent role in promoting the cooperatives among the artisans and gaining financial support from the State and other public institutions (City Halls, Chambers of Commerce). The close relationship

between CGCs and artisans associations is, even now, one of the most important characteristics of these support instruments.

Organization

CGCs are private organizations based on voluntary membership and are founded by artisans, very often with the organizational and financial support of local Artisans Associations. Members pay a membership fee which is integrated into the guarantee fund, together with other public contributions: it is through these two methods (i.e. with public and private financing) that guarantee funds were established. A fee paid by the entrepreneurs as a percentage (less than 1%) on the credit guaranteed by CGC is the second relevant way cooperatives increase their funds through the years. As mentioned above, although guarantee cooperatives are private organizations, public funds have been used to support them, both from State and local governments.¹

In 1973, the Ministry of Industry decentralized responsibility for issues, programs and instruments related to the artisan, or crafts, trades to the regional government structures. When this occurred, the guarantee cooperative phenomenon began to grow rapidly, largely due to the addition of the interest rate contributions and capital account contributions for operations guaranteed by the guarantee cooperatives. The law of 1977 allows regions to participate or assist consortia of SMEs that create collective guarantee schemes for short or medium-term credit (Paone, 1989, p. 28).²

The guarantee fund is deposited in a credit or banking institute, with which a specific agreement has been established, and is used as collateral for credit extended to members. In this way the risk associated with lending is divided between the bank and the credit cooperative, or is borne completely by the latter. Furthermore, entrepreneurs do not need to provide collateral based on personal assets, and are able to access credit with relatively favorable terms. Through these agreements, and thanks to the total amount of credit that is “channeled” through, and controlled by,

¹ For example, a decree issued in 1959 established that the Ministry for Industry would contribute a sum equal to 50% of total membership fees to each guarantee cooperative having at least 50 members, if their statute met certain requirements (Paone, 1989, p. 25).

² In 1996, Artigiancassa was authorized to re-insure the CGCs’ credit activity, allowing them to further reduce credit risk and to expand their activity. This trend has been confirmed by the recent foundation of new meta-cooperatives, or cooperatives of CGCs, to re-insure and finance the guarantee fund of each of their members.

CGCs the cooperatives have succeeded in convincing banks to extend rates of interest and conditions as favorable as the “prime rate” to SMEs.

The CGCs’ monitoring of SMEs, along with the support and influence of the artisan associations, helps to reduce the risk of insolvency: in Emilia Romagna, for example, the insolvency rate (number of insolvent firms out of total number of debtors) among the firms guaranteed by CGCs is less than 1%, which is considerably lower than the national average of nearly 10%. This positive effect has made banks more confident about SMEs, which are now increasingly considered not as potentially risky, unprofitable investments, but instead as opportunities to expand banks’ markets. Banks’ knowledge of SME systems has increased as a result of the close and continuous cooperation with CGCs, and they have developed a more favorable and accessible credit supply even without the cooperative’s guarantees. Thanks to this trend, the CGC are now reducing the guarantee level on each loan, covering from 25-50% of the total amount of credit, in this way they are able to expand the number of artisans assisted by the cooperatives. Furthermore, CGCs have recently been increasing their ability to self-finance the guarantee fund, further reducing the need for public support of their activity.

To understand the importance and capabilities of this cooperative form it is helpful to consider Emilia-Romagna, which is among the regions offering the widest selection of guarantee structures. Furthermore, in this region the CGCs started in the early 1950s and have achieved impressive results in terms of membership and guaranteed operations. Indeed, as of 1995, there were 23 artisan guarantee cooperatives in Emilia-Romagna, with membership totaling 56,651 firms and a total amount of guaranteed credit of about 289 million USD. The majority of these types of cooperatives operate out of offices connected with business associations of various kinds or local branches of the Chamber of Commerce. In Emilia Romagna all the cooperatives are now members of ArtigianCredit, the cooperative re-insuring other CGCs activities.

What follows is the brief history of a representative credit guarantee cooperative.

A CREDIT GUARANTEE COOPERATIVE SUCCESS STORY

Mr. Vitaliano Travini is an artisan trained at the Aldini Valeriani technical school in Bologna, whose business is heating systems. In the early 1970s he successfully founded a credit guarantee cooperative called Cooperativa Artigiana di Garanzia Bolognese.

At a certain point in his career Mr. Travini realized that if he wanted to be successful, stay competitive in his line of work, and be updated in new techniques, he had to make new investments and therefore needed loans from the banks. There he encountered a problem: credit institutions are hesitant to loan money to small firms or single artisans. The only way to bypass this obstacle was to pool resources with other people having the same problem.

With eight friends (artisans coming from all types of sectors: a carpenter, an electrician...) Mr. Travini decided to establish an artisan credit guarantee cooperative (CGC).

The nine founders met several times to discuss and define the budget and the organisational structure of the CGC. This structure consisted of the administrative bodies and of the executive bodies (the personnel that take care of the management of the CGC). Initially the operational direction of the CGC was carried out by a single person, the corporate secretary.

The next step was to go to a notary public and deposit a statute (see Annex 1) containing all the specifics of the cooperative's activity. The nine founders constituted a limited liability corporation and each paid an associative share of approximately 100,000E (\$50).

After having agreed upon the amount of the individual contribution, the 9 founders deposited the fund into a bank with which they had previously settled financing agreements.

These financing agreements included:

- the types of financial operations the CGC guarantee fund assists
- the allowable value of these operations
- the allowable time-limit for repayment
- the depreciation provisions
- the applicable interest rates
- the maximum amount the bank may lend to CGC members.

However, with a total amount of approximately \$500 you cannot guarantee credit to anyone. Thanks to the Confartigianato (National Artisans Union) though, these nine men were able to contact thousands of other people to inform them about their

cooperative and invite them to subscribe to it. So within one year, from nine they became 1,000, which enabled the cooperative to guarantee small credits. It is worth mentioning that before getting started, these nine people were aware and took advantage of the incentives given to those who form cooperatives.

At the beginning of the Cooperative's life, its fund guaranteed the risk on credit with a percentage of 100%, that is if a member could not pay his debts with a bank, everything was paid for by the cooperative's fund. Cases of insolvency occurred rarely because extensive research on the applicant firms was done previously. The Board of Directors of the CGC (in charge of accepting or refusing applications) was formed by the artisans themselves and they went to the applicants' workshops to verify if they were capable and reliable future associates. Thus, insolvency rates have, since its start, been low because associates were thoroughly examined before their subscription.

Over the years, the number of associates grew together with the fund and with the fame of the cooperative. Public entities started giving grants (contributions) to the fund, so that the fund grew faster. The credit institutions that at first were not likely to give credit to artisans, started competing to sign agreements with the Cooperative. So the CGC that at the beginning had to guarantee 100% of the credit, little by little convinced the banks to guarantee part of the loan. If one bank started taking upon itself 25% of the credit risk, the other bank responded with 30% and so on... Now most of the banks guarantee 50% of the credit risk (and of course the other 50% is guaranteed by the CGC) thus the cooperative may guarantee for a higher total sum.

In the growth phase, public entities' grants are important to maintaining a high level of activity; their importance appears during the evolution phase, rather than at the CGC's inception.

Today Public entities as well as Credit institutions fully recognize the value of cooperative's existence as they have generated a whole system of wealth characterized by a more equal distribution among actors, including even the smallest enterprises. Today this twenty year old cooperative guarantees loans for billions of dollars.

Finally the above story clearly shows that a new private initiative has much higher chances of succeeding in the presence of a favourable legal as well as cultural environment.

EXPORT CONSORTIA

Export consortia represent an important example of how firms may group together in cooperative relationships. Currently, there are approximately 350 export consortia in Italy. One hundred forty-five of these are grouped together in a federation - Federexport. The diffused presence of these consortia invites an attempt to better understand the phenomenon, especially in that it may suggest a possible first step toward inter-firm cooperation.

In general, an export consortium is comprised of a group of firms that pay a one-time lump sum to underwrite the consortia's capital and an annual membership fee to cover operating costs. The export consortia's task is to promote the member firms' goods and services abroad and to facilitate the export of these goods and services. Export consortia vary in terms of the services offered, from those providing basic secretarial services, market information collection and translation to those that offer a wide range of services including credit guarantees, merchandising, franchising, acquisition of raw materials, sales using the consortium's brand name, legal assistance, organization of common initiatives, etc.

The most important law governing the formation, operation and funding of export consortia is national Law 83, passed in 1989. This law establishes public funding for export consortia of eight or more small and medium enterprises, with membership fees at or above the amount established by the law (2,500,000 Lire). The law provides annual contributions up to 40% of operating costs, up to 60% for SME export consortia in Southern Italy and up to 70% for consortia in the first five years of activity. Total annual contributions may not exceed 150 million lire per consortium, 200 million lire for consortia with 25 or more member firms, and 300 million lire for consortia with 75 or more member firms. Furthermore, consortia may benefit from several tax reductions. The consortia's "indivisible" reserve funds are tax exempt as long as it is impossible to distribute them in any way among members. In addition, services rendered by the consortia are tax exempt, as are those acquired by the consortia in the course of its activities. Several articles of Law 317 of 1991 focus on consortia and the characteristics they must have in order to be eligible for the funding made available by this law. A consortium must have at least five member firms, funds equaling at least 20 million Lire and a statute that prohibits the distribution of assets. These eligibility requirements state that a consortium's member firms must have no more than 250 employees, a turnover of no more than 20 million ECU. No member firm may

possess a share equal to more than 20% of the consortium's capital or profits (Federexport, 1995).

To understand how export consortia may grow out of specific local contexts, we may look at their development in a well-known textile industrial district - Prato. Usually, a presence on international markets requires means unavailable to SMEs. However, beginning in the 1970s several textile firms in Prato realized that inter-firm cooperation could be a powerful instrument with which to face the difficulties posed by international markets and, indeed, in Prato there are examples of consortia activity even before the advent of pro-consortia legislation of the 1980s. The development of local consortia was favored by the cooperation efforts linked to the local business associations, the local Industrial Association (Unione Industriali) in particular. These were also later stimulated even further by the substantial benefits offered to consortia by governmental incentive schemes with the goal of expanding export.

As late as the 1970s, the textile district of Prato was still seen as the world's center for medium-low quality textiles associated with the use of regenerated (recycled) fibers, especially wool. Therefore, Prato above all needed to free itself from this image if it wanted to compete, expressing its own identity in the textile/clothing sector. Prato had to present itself on the international market with a new, more attractive image. The local consortia greatly contributed to meeting this challenge of image renewal. The first consortia began to project a new firm image based on innovative products and services that no one firm would have been able to offer. The history of one of the most important SME consortia in Prato is presented below in the following section: AN EXPORT CONSORTIUM SUCCESS STORY.

The benefits achieved, especially those related to the image of local textile production, quickly brought positive ramifications for the entire textile district favoring its evolution and qualitative growth. In the majority of cases, the consortia not only produced a new "image", but made possible, through the participation of single experiences of the various member firms, a culture of export and the use of technology to continuously better production and competitiveness. Today, Prato's leadership is recognized throughout the world for the innovative capacity, ideas, dedication to research and service of its firms.

As we have said, among the wide range of interventions undertaken to strengthen the structure of small firms in Prato, the richest legacy of successful experience clearly belongs to the consortia. Their proliferation constitutes a concrete manifestation of

the means by which the industry of Prato has attempted to find original solutions promising advantages that would otherwise be beyond the reach of individual firms (please refer to Annex 2 for a partial list of SME consortia in Prato's textile district. This list highlights the variety of consortia which may develop to further SME competitiveness). The consortia are associations of manufacturers of a wide range of products, who, although they may be competitors, realize the importance of putting collaboration ahead of rivalry in order to offer a collective image of high standards that gives them access to the world's key fashion and technology markets.

AN EXPORT CONSORTIUM SUCCESS STORY

Until the late 70's, the Prato textile district was considered world-wide as a centre for the production of low-quality textiles and the processing of regenerated fibres. Its first move in the direction of growth was to cast aside this age-old image and show the international market a new and attractive reality reflecting the uniqueness of Prato district's production. Consortia have played a major role bringing to the world a company and product/service image which no individual firm would have been able to do.

Meanwhile, exportation and technology have seen further integration, resulting in higher quality production and increased competitiveness for most of the consortia members.

Today the world has recognised Prato's leadership, its innovative capacity, its ideas, its dedication to research.

The wide range of intervention planned to strengthen the structure of small firms in Prato is tightly linked to the history of Consortia. Their proliferation constitutes a tangible manifestation of the success of this form of association. A wide range of products is represented in the Prato textile district's Consortia. Even though associate enterprises may be competitors, they realise the importance of setting co-operation ahead of rivalry in order to offer a collective image of high standards which gives access to the key markets in the fashion and technological world.

Machinery production has obviously grown together with textiles manufacture. Next paragraphs will concentrate on the story of a selected export consortium which helped machinery sector grow.

The early 1960s saw the dawning of Prato's textile machine industry. There were very few strong firms and these concentrated in machines for Prato's traditional production: the recycling of rags and textile scraps. In the 1960s export was practically non-existent and the great majority of textile machine producers worked exclusively for the local textile district.

The firm BECHERINI offered machines that went from the first processing stages of the rags to important dyeing and finishing machines. Between the 1960s and 1970s several of BECHERINI's head artisans left the firm to launch their own businesses giving birth to a series of small artisan firms which quickly became important elements of the local textile cluster.

At the beginning of the 1970s, in Prato's textile district, an interesting experiment was undertaken under the guidance of a local firm: TESSILTECNICA. This sales firm was able to compile a vast general catalogue of all the machines produced in the Prato area. With this new sales formula introduced by TESSILTECNICA, Prato's textile machines began to be known abroad, but the names of the individual manufacturing firms did not appear and local manufacturers had no direct contact with foreign markets or export activity.

Local firms began to feel the need to manage their own exports. The occasion presented itself in 1976-1977 when TESSILTECNICA, in the wake of several unfortunate business moves, began its decline. The local textile machine manufacturers were

suddenly without their only contact with the world market and this provided the stimulus for the birth of TEXMA PRATO.

TEXMA PRATO was founded in 1978, its first president was Engineer Becherini, the son of the Becherini who 15 years before was unknowingly the principal catalyst for the modern development of Prato's textile machinery production.

The main textile machine manufacturers, and not only the main ones, joined TEXMA PRATO, under the guidance of the local Industrial Association (UNIONE INDUSTRIALI) and thus founded the first consortium for export promotion in Prato. The founding firms agreed that their common objective was to maintain the capacity for export achieved by the former TESSILTECNICA and to nurture export activity through cooperation and direct participation in the management of market contacts and Prato's image.

Furthermore, TEXMA PRATO promoted the very first initiatives to promote trade shows, first local aimed at the local/national markets and then immediately after began organizing joint participation in international shows around the world.

Prato's textile industry rapidly evolved and, as it did, so did the technology employed. Prato abandoned the technology associated with recycling for that related to fashion and high quality. Textile machine production clearly had to adapt itself to these new trends and thanks to its noteworthy efforts was able to achieve surprising results. However, the world's image of Prato remained linked to the recycling of fibers and thus to medium-low quality textiles. It was soon clear that a new image of Prato must be created.

TEXMA PRATO understood this need and added to its objectives that of giving the entire textile machinery sub-sector an image at the forefront of technology, professionalism and reliability. Events were organized and publications designed to show that the firms associated with TEXMA were indeed equal to the highest European standards.

Today, after twenty years of activity, all the firms associated with TEXMA PRATO have achieved a strong presence in the main world markets, and TEXMA's services continue to be invaluable. The level of commitment and expertise these services require mean that very few member firms would be able to organize and sustain such activities with their individual resources alone. This is the reason for the success of the Consortium's formula.

However, TEXMA's development was not without difficulties. For example: how should new member firms be selected? Should an aggregation of firms occur according to vertical or horizontal linkages? That is: could members be direct competitors or could more than one firm participate in the Consortium offering similar product lines? These two possibilities have often created divergences, some firms left the Consortium feeling that their presence was incompatible with that of their competitors. Other firms have decided to take part in the Consortium because their competitors are members. However, the Consortium has always attempted to achieve a happy median between the two approaches and to carefully select its member firms.

The Consortium TEXMA PRATO has played a crucial role in establishing a correct and positive relationship/dialogue between firms and local institutions. This is particularly true for the Regional Government of Tuscany that provides various forms of finance under Law n. 83 of 1989. TEXMA has also played an important political role in that its

activity has demonstrated the efficacy of such consortia in the stimulation of inter-firm collaboration among SMEs. TEXMA PRATO has been a valid example for other consortia that have since developed in the Prato area and offers a series of operative examples, imitated by the other consortia, regarding both image promotion and export.

Creating SME Consortia

The two most common forms of inter-firm cooperation among SMEs, credit guarantee cooperatives and export consortia, have been described in the above paragraphs. This section aims to go beyond a mere description of such cooperative structures by providing some considerations concerning the steps involved in their creation.

Although objectives of consortia may vary, we can identify some common development phases to give the reader an idea of how such cooperation may be fostered. Three main conditions for success may be highlighted:

1. establishment of a few, clear goals;
2. consensus building through the involvement of a variety of actors;
3. awareness of time factor;

Each of these points will be discussed in more detail.

Goals must come from discussions with the final beneficiaries of the consortia - the SMEs. They must be realistic, realizable and clear to the potential members of the consortium. It is advisable to begin with even just one very clear objective in order to test and reinforce the workings of the consortium. Grandiose projects should be avoided, at least in the beginning stages. Other initiatives may always be added in the future.

Consensus building has been identified as one of the key elements in the success of consortia. This has been highlighted in the Italian experience in the diffused participation of private business associations, local government administrations and other institutions in the creation and operation of SME consortia. A variety of actors were convinced of the validity of the inter-firm cooperation project and were willing to commit resources to making it work. This commitment often translated into some form of participation, even financial, in the consortia. Co-participation of this kind spreads the responsibility for the consortium among private and public consortium supporters making failure less likely.

It must be recognized even at the conception stage that creating new organizations of any kind, including consortia, takes time. This does not mean that there will be no short-term benefits, there certainly can be. It does however mean that the real impact of such organizations will be seen over time and that consortium members and the supporting institutions should be aware of this from day one. This point is clearly connected to points 1 and 2 above. Short-term objectives may be identified and the fulfillment of these helps reinforce the consortium's organization and helps boost consensus and institutional support. Success in the short term helps ensure longer life and the achievement of long-term, more structural, changes in the local business environment.

Step-by-step Implementation

The three main conditions must underline all phases of consortia creation, but are especially crucial in the start-up stage. Once these general foundations are in place, we can outline a step-by-step implementation process valid for any type of consortium even in contexts previously void of such cooperative activities.

a. Tutor - to guide and organize the project. This figure will usually be external and be already versed in consortia-building activities. It is important to specify that the tutor's job is not to dictate what is to be done, but rather to help launch local projects by working closely with local actors to help them in identifying common objectives, possible partners, etc. and then to assist in developing a workable plan to accomplish the stated goals of local SMEs.

b. Local project manager - initially to work with tutor, and eventually to run local projects. Involvement of local experts in such projects is key for several reasons. Local actors are already connected to the territory and have accumulated the knowledge of how the local system works that is necessary to operating in the territory. Who's who, which institutions (if any) might be allies in inter-firm cooperation initiatives and which to avoid, how things are done all represent crucial pieces of information that outsiders, even expert tutors, are not able to access immediately. Furthermore, once the consortium has been founded, the tutor's role ends. Without the involvement of local actors from the beginning, the tutor's departure might lead to an uncertain future for the consortium.

c. Creating consensus - clearly outlining consortium goals and involving a variety of actors. The importance of creating consensus has been discussed above. How to do

this, deserves some comment. Once the tutor and the local project manager have begun to sound out the local SMEs to identify common problems and verify interest in attempting collective solutions through the establishment of a consortium, they will be able to draft a proposal. This in hand, they may contact other SMEs and key local actors of various types to promote the project and collect feedback. This will in turn help shape the nature of the consortium and its goals. In this way, the potential consortium members become participants in the conception of the consortium and it thus becomes "theirs" from the beginning. The involvement of institutions creates co-participation in the viability of the project.

d. Involving local institutions - local institutions may include government administrations, business associations, the educational system, etc. This is connected to the previous consensus creating phase, but is listed separately to underline the fact that the initiative should begin with the private sector. This is to ensure that the creation of the consortium addresses the real needs of local SMEs, and does not occur to further political and/or institutional ends unrelated to small business development.

It is important to remember here that institutional involvement in the creation of consortia is seen as crucial to the consortia's success if the role of institutions is that of support for, and not control of, the project. In some areas targeted for development projects, the institutional context may be weak, characterized by institutions that are unable to effectively participate in such initiatives. In these cases, the creation of a consortium may have less support at the outset, but offers greater benefits by helping to build a viable institutional environment.

e. Feasibility study - including investigation of the consortium's legal standing. Once the consortium proposal has been clearly drafted and the possible members contacted, it is necessary to conduct a feasibility study. Such a study includes an investigation of the stated goals of the consortium and how these are to be achieved. An outline of the procedures for the realization of the consortium's goals and the resources needed should be included. The organizational structure of the consortium should be described and an estimate of the resources needed to create the consortium and ensure its operation toward the realization of its goals are also crucial elements of the feasibility study. The study should also propose how the necessary resources will be obtained. A thorough feasibility study takes some time and must be done by an expert. The tutor and project manager will be directly involved in the process, but it is advisable to engage an external expert to ensure objectivity.

f. Meetings with firms and institutions - a good feasibility study is a powerful tool to be used in second-round meetings with firms and institutions. Again, the project is presented, but in much more detail. This supplies potential supporters with the information needed to truly appraise the project. It also gives them another chance to provide the local project manager and tutor with feedback. At this stage, an initial draft of a statute may begin to take shape.

g. Making commitments - it is time for local firms and institutions to make formal commitments to the consortium project. This will be done on the basis of the feasibility study and previous meetings. Who is in and who is out should be clarified at this stage. It should be noted that the role of the public sector, if present at the outset, usually diminishes over time. This ensures decisional independence of consortium which is seen as fundamental to its success.

h. Formal creation/foundation of consortium - a draft statute should be circulated among members. (Examples of two typical statutes are included in Annexes 1 and 3). At this stage members vote on the final version of the statute at the first formal meeting of the consortium. Members decide whether membership is the same for everyone or if there are different types, for example voting and non-voting members with different obligations. The executive committee is elected and the members discuss operations. Note that at this stage the tutor will at most be involved as a councilor and it is up to the members to decide what role, if any, will be assigned to the local project manager. It may be that the project manager will be selected as the first director of the consortium, for a short term of office, or it may be that the SME members prefer to have the project manager as an external consultant from the outset.

What will follow then is determined through the standard procedures of the consortium. The executive committee will call meetings and the consortium's activities will be organized according to the directives of its members. Although the goals of the consortium were established early on, and possible methods of achieving them outlined in the feasibility study, it may take some thought and discussion among the members to begin to act toward the stated ends. It should be emphasized that the processes of discussion, decision-making, promotion and implementation are all part of inter-firm cooperation and are positive in themselves. If the consortium makes it to this stage, its chances for survival may be considered very good.

Financing

Consortia financing is usually based on two sources. The first source of financing comes directly from the member firms and may take the following forms, or may be a combination of these:

- one-time membership fees;
- annual fees;
- fees for specific services.

Institutional members represent the other major source of consortia financing. Institutional members may be full-fledged members of the consortium, but often have different fee scales and rights within the consortium so as not to give too much power to institutional, rather than to individual firm, members.

Institutions generally support consortia in one, or several, of the following ways:

- on the basis of number of firm members (founding members);
- in proportion to increases in membership numbers;
- by co-financing specific initiatives/services;

In Italy, local institutional participation has tended to be substantial at the outset and to be less relevant as the consortium becomes consolidated over time.

Risks

The initial phases of consortia creation are definitely the most risky. It is often hard to “sell” the idea of working together, especially to both the private and public sectors. The start-up phase is therefore a delicate one. Problems such as overcoming the natural individualism of entrepreneurs and diffused suspicion of institutions are common. It is not always easy to teach actors the benefits of working together, especially if this is completely new terrain. However, once successfully off the ground, the consortium model may be used as an example for other cooperative initiatives.

Some of the main risks the consortium project may face are the following:

- low participation rates - firms;
- disinterest of institutions (or worse, hostility);

- weak institutional context - not yet ready for cooperation;
- management is too personalized and structure becomes an instrument for individual political-economic ends;
- institutional participation is too heavy-handed;

In the hopes that to be forewarned is to be forearmed, keeping these possible risks in mind may make them easier to solve if they do arise. Each local context is unique, so other problems may well present themselves, but this partial list highlights some potential problem areas.

CONCLUSIONS

Export consortia and credit guarantee cooperatives are the most diffused and important forms of cooperation among firms, thanks both to the large number of firms involved and to the positive results that these organizations have achieved.

The history of the consortia, as reported above, shows how their development depends directly on the initiative of the firms. Public intervention, on the contrary, played a marginal role, particularly during the starting phases.

When public intervention did begin to take a supportive role, the examples mentioned above clearly show how important the local administrations have been: they have helped finance the credit guarantee funds, and introduced support schemes for cooperation among firms, even before the central government. Cooperation among firms is indeed a theme of public intervention which is mainly felt at the local level.

The intervention of the central government played, on the contrary, a marginal role in the initial stages of consortia creation. Only with Law 317 of 1991, did the national government take the initiative to support cooperation among firms in a structured and incisive way.

We can conclude that the Italian experience, with these forms of cooperation (CGC and export consortia), illustrates effective solutions for the improvement and enforcement of integration of firms, providing ways to overcome some of the most relevant problems facing SMEs: credit access and the expansion into new international markets.

The importance of creating "collective" solutions for the problems linked to the small dimension of the firms has been amply discussed in the economic literature on industrial districts. It is also one of the key factors in the creation of an environment that is favorable to the competitive growth of small firms.

Programs aimed at local economic development in emerging countries would do well to incorporate pilot projects to stimulate inter-firm cooperation among SMEs. The creation of consortia is a realistic first step toward the creation of "bottom-up," private sector initiatives which may help nurture a positive local development environment through the active involvement of firms, their associations and local authorities.

BIBLIOGRAPHY

FEDEREXPORT

1995 *Consorzi Export in Italia Indagine 1993. Analisi della situazione e percorsi evolutivi*. Roma: SIPI.

IL SOLE 24 ORE

1996 Big On-Line. On-line database.

PAONE, M.

1989 *Le Cooperative Artigiane di Garanzia*. Lanciano (CH), Editrice Itinerari.

SANTORO, E.

1996 *Italia, perchè "sì"*. Rome: International Editing Publisher.

ANNEX 1

STATUTE OF ARTISAN CREDIT CO-OPERATIVES

TITLE I

Constitution, name, head office, purpose and term of the credit co-operative

Art. 1

A limited liability Co-op having the name of "Artisan credit limited liability co-op of..." is herein constituted.

The Co-op has its Head Offices in...

Art. 2

The Co-op is a non-profit organization based on principles of mutual assistance. It attempts to promote the improvement and the modernization of artisan production by providing guarantees to its members when asking banks for credit aimed at financing operational expenses of their enterprises.

The Co-op may also assist associates in the formulation and the collection of documents necessary for any kind of credit request.

Art. 3

The Co-op activity ends the 31 December of...

Every 10 years its term may be extended.

TITLE II

Corporate assets

Art. 4

The Corporate Assets are comprised of:

- a) capital formed by associates shares, having a value of... each;
- b) reserves;
- c) donations, legacies and associations or private grants;
- d) a fund consisting of possible contributions from Public Entities and by a portion of the profits.

Corporate assets must be employed exclusively for the guarantee services aimed at achieving purposes stated in art.2 (first sub-paragraph).

Operating expenses are financed by admission fees, rights and commissions stated under art.11 and 23, from the patrimonial revenues of the Co-op itself and from the contributions expressly erogated for its operating expenses by Public Entities, associations or private individuals, according to art. 35, letter a).

Art. 5

The Co-op is liable with its patrimony for social obligations.

In case of forced administrative liquidation or in case of insolvency of the Co-op, each associate is responsible for an amount corresponding to ... times (no less than three times) the value of the subscribed shares, according to the Civil Code.

Social shares are registered.

Each share must be in a single name, it is not to be divided and it can not be given over to a third party not being a shareholder of the Co-op.

Shares can be transferred, under provisions of art.10, in case of succession, with effect towards the corporation, only if the heir is a shareholder or is admitted as a shareholder under the requirements of art.8 and 9.

The shares cannot be given under pledge or any kind of bond, nor can they be acquired by the corporation, which is also forbidden to compensate possible debts of the shareholder or to anticipate money on the subscribed shares.

Art. 6 [omissis]

TITLE III

Shareholders

Art. 7

There is no limit to the number of shareholders.

Art. 8

Artisan enterprises may subscribe to the Co-op if registered in the Register of... [required by law] and unless they are undergoing legal proceedings or bankruptcy, or unless its owner is submitted to a penalty entailing interdiction (even if temporary) from public offices.

One cannot be member of a Co-op if already a member of another guarantee co-operative, or if previously expelled from one.

Art. 9

Shareholder admission is made with a deliberation of the Board of Directors, under written requirement of those concerned and it is registered, by the Board itself, in the book of associates.

Art. 10

The shareholder must subscribe and purchase at least one share. If the Board of Directors allows it, a subscriber may subscribe to 4 more shares, at a subsequent time.

Art. 11

The subscriber pays, at subscription time, an admission fee whose value will be decided annually by the Board of Directors, not to be under ...

Art. 12

The subscriber must observe the statute, the by-laws and the corporate deliberations, he must favor by any means the co-operative's interests.

Art. 13

The loss of the associate status takes place in case of death, withdrawal, cancellation, exclusion; it must be noted, by the Board of Directors, in the associates' book.

Withdrawal takes place upon written requirement from the associate by registered letter to the Board of Directors, which must deliberate it within three months of the date of presentation of the request.

Cancellation is deliberated by the Board of Directors for the enterprise which has been canceled from the Register... [provided for by local law], or that transfers its Head Offices outside the territorial jurisdiction of the Co-op, or which is in one of those improper conditions specified in article 8.

Exclusion can be deliberated by the Board of Directors:

- a) for missing payment, according to article 10, of the duties or for other debts owed to the cooperative;
- b) for failing to observe the rules stipulated in the statute, or in the by-laws.

Any member who has declared bankruptcy or who has become insolvent is excluded.

Art. 14

The deliberations, made by the administrative council according to the preceding article, must be communicated to the interested party by registered letter, return receipt requested, within 15 days of the deliberations.

The member may protest before the court, according to art...of the Civil Code, only after having produced recourse at the Board of Auditors through the deliberations of exclusion communicating them to the Board of Directors within 30 days of the announcement of the decision of the recourse.

The appeal to arbitration has the effect of a suspension and must be sent within 30 days from the receipt of the communication of the deliberation of exclusion. The Board of Auditors, within 45 days from the receipt of the recourse, must communicate their decision to the interested party.

Art. 15

The parting member has the right to liquidate some shares, but not more than he has deposited.

In the case of exclusion, the cooperative liquidates 50% of the value of the member's shares, and assigns the other 50% to the fund as stipulated in article 4, letter b).

Art. 16

The payment must be effected within 6 months of the approval of the budget, for the cases of withdrawal and exclusion, and within 2 months for the cases of cancellation or death.

The Board of Directors must delay, but not beyond the term of 2 years stipulated in article 18, the payments discussed in the preceding paragraph, ensure that the payments will provoke a reduction superior to 20%, with respect to the preceding year's total corporate assets.

Art. 17

The member who has obtained guarantees from the cooperative, does not have the right to liquidate his own shares before having performed all his duties, as according to articles 13 and 16.

Art. 18

The member who has ceased to be a part of the cooperative is responsible toward the third parties within the limits of subsidiary responsibility established in article 5, for the obligations assumed by the cooperative until the date in which membership

ceased, as according to art... of the civil code, for 2 years from the day in which it is verified that the associate is no longer a member.

Title IV

Operations

Art. 19

The cooperative can only complete operations which fall within the scope specified in article 2.

Art. 20

The member can obtain guarantees from the cooperative one month after his inscription in the book of members. Moreover, the Board of Directors can decide by unanimous vote that the cooperative concede such guarantees without the observance of this term as to favor the owners of damaged enterprises.

Art. 21

Guarantees can be, at most, proportional to the shares bought by each member. Moreover, the deliberation of the concession must consider:

- 1) the patrimonial situation, business and personal, of the owner of the enterprise and the prospects in terms of yield of the enterprise itself;
- 2) the duration and the nature of the credit requested and the guarantees which the member offers;
- 3) the ability of the cooperative to guarantee the loans already requested.

Art. 22

The cooperative can stipulate conventions with one or more credit institutions and with other entities (with which the Co-op has guarantee agreements) for the granting of credit for the associate for a total maximum amount being 10 times the corporate assets, resulting from the most recent approved budget.

The amount can be increased with the bank if the cooperative is assisted by subsidiary guarantees for the partial coverage of losses.

Art. 23

The Board of Directors can decide that each member, requesting assistance or guarantees from the cooperative, pay a fixed sum for secretarial services in order to cover necessary expenses.

In addition, the member which has obtained the requested loan is held to the payment of a commission which will be decided by the Board of Directors, not to be more than 1%, annually, of the sum of the loan.

Title V

A) Ordinary Meeting

Art. 24

The members who have been inscribed in the member's book for at least three months have the right to vote in the Assembly.

The member can be represented by a proxy who is another member, as long as he is neither an administrator nor an employee of the co-operative.

Each member has the right to one vote, regardless of the number of shares possessed, and cannot exercise the vote for more than...delegates (maximum 5).

Art. 25

The Assembly, whether extraordinary or ordinary, will be convoked by notice which must contain the day, the date, the hour and the place of the meeting, and must be fixed at least 15 days in advance of the day assigned for the meeting. The notice should be hung in a visible space in the Head office and should be sent to the members within the time specified.

Art. 26

The Ordinary Meeting is convoked by the Board of Directors each year 4 months before the closing of the previous financial year.

Its assignments are:

- a) to discuss and approve the financial statements;
- b) to elect the President, the Vice-President of the Cooperative, the other members of the Board of Directors, the Auditors, the Conciliators;
- c) to take due note of the Board's deliberations and fix the best case scenario directives for the Board itself;
- d) to deal with all issues of concern as stated in the statute and by law.

The Agenda of the Ordinary Meeting is fixed by the Board of Directors.

Associates may ask to insert different issues in the agenda. The request must be signed by at least one fifth of voting members. The request must not be submitted more than ten days after the publication of the agenda.

The Extraordinary Meeting is convoked by the Board of Directors to deliberate on the modification of the statute, on nomination and on liquidators' powers.

Art. 27

The President, or the Vice-President in his absence, chairs the Ordinary Meeting. Upon approval of the Meeting, the President chooses two scrutinizers, among the present associates.

In the case of an Ordinary Meeting, the President must ask the cooperation of a secretary, appointed by those present at the meeting, and charged with writing the report, while in case of Extraordinary Meeting, the report must be approved by a notary public.

Art. 28

Ordinary Meetings may legitimately deliberate, in first call, when at least half of the associates with the right to vote are present or represented and, in second call, regardless of the number of present or represented associates.

Second call may not take place in the same day fixed for the first.

Secret ballot is needed to appoint members for administrative positions; voting on other issues on the agenda may be done by rising or remaining seated.

Deliberations are approved by majority of the shareholders present and represented; in case of parity, the proposed deliberation is to be considered rejected.

Art. 29

Extraordinary Meetings may legitimately deliberate when at least half of the shareholders with the right to vote are present or represented in first call; in second call, at least a third of the shareholders. For deliberations to be considered valid there must be the favorable vote of the majority of those who vote.

To decide the early dissolution of the association, a vote in favor of at least a third of the total associates with the right to vote is required.

Art. 30

Deliberations made by the Ordinary Meeting must be reported in reports signed by the President, by the secretary and by two scrutinizers.

B) Board of Directors

Art. 31

The administration is entrusted to the Board of Directors, consisting of four members elected for at least one year by the Assembly from among the subscribers to the Co-op.

With a contribution from the Ministry of Industry and Commerce, two members of the Board may be appointed upon nomination of the Ministry itself.

A representative of each public entity participating in the constitution of the corporate assets with at least a quarter of the corporate capital may also be members of the Board of Directors.

In any case the appointment of the majority of the administrators and auditors is reserved to the Associates' Meeting, according to art... of the Civil Code.

Elected members of the Board hold three-year mandates and may be re-elected one or more times for an equal period of time.

President and Vice-President are elected by the Assembly among the elected members of the Board.

Administrators are exempt from guarantee deposits unless the Assembly decides differently for elected members.

Relatives or next of kin (third degree included) of other members may not simultaneously be part of the Board of Directors.

Art.32

Administrators should not vote at those deliberations regarding their own personal interest or their family (including third degree relatives) business.

Art.33

The Board of Directors assembles in Ordinary Session once a month and in Extraordinary Session when the President, or in his absence the Vice-President, or at least a third of the Directors or Auditors, deems it advisable. The notice of convocation must be delivered to the home address of each Director, save urgent cases, three days in advance.

The notice of convocation must also be delivered, in the same way and under the same terms, to the Auditors.

The Board may avail itself of the work of an appointed secretary.

Art. 34

Deliberations of the Board are made by majority vote of those present; in case of parity, the vote of the Chair prevails. Board deliberation validity requires the actual presence of the majority of components, proxies are not allowed.

Art. 35

The Board of Directors retains all the powers and attributes of the management of the Co-op, which are not reserved by law or statute to the Ordinary Meeting .

It is up to the Board of Directors:

- a) to accept donations, legacies, grants of associations and private parties, State or other public Entities' grants for the constitution of the reserve fund, or to face administrative expenses, save necessary modification of the statute;
- b) to ask the authorization of... when the acceptance of contributions of Public or Private entities implies the modification of statutory norms;
- c) to stipulate and implement agreements with credit institutions and other entities;
- d) to produce financial statements, enclosing a report of the cooperatives management, and to edit the presentation to be approved by the Ordinary Meeting, proposing a best case scenario for the present year;
- e) to provide the President with the authorization for necessary expenses for the regular functioning of the Co-op;
- f) to authorize the President for the implementation of all required actions aimed at guarding the Co-op's rights.

Art. 36

The President is the legal representative of the Co-op. He writes documents and gives directives to the Directors (appointed for this purpose by the Board itself) or to the Secretary (possibly nominated by the Board). He ensures that the chosen members of the Board (or the Secretary) operate in conformity with the Co-op's interests.

The President, in case of dismissal, absence or impediment, is substituted by the Vice-President, who similarly can be substituted for the same reasons, by the eldest member of the Board.

Art. 37

The duties of the President, Vice-president and members of the Board of Directors do not entail any salary; out-of-pocket expenses may be reimbursed when authorized by the Board (if the concerned person requires it).

C) Board of Auditors

Art. 38

The Board of Auditors is composed of three regular Auditors, one of which is appointed president and two deputies. Auditors hold three-year positions and may also be chosen among non-members.

Art. 39

The Board of Auditors must meet at least once each trimester;

the auditor who, with no justified reason, does not participate in two Board meetings, will be removed from office. Assessments, remarks and deliberations of the Auditors must be registered in the ad hoc Book.

Art. 40

Relatives (up to the 4th degree) of the administrators are not eligible Auditors. In case of election, they will be removed from office. The same holds true for those employed by the Co-operative.

Art. 41

The direction of the corporation and the execution of the Board's deliberations may be entrusted to a Secretary having the faculty, the attributions and the powers determined by the Board itself. The possible appointment of the Secretary (and his revocation), is deliberated by the Board of Directors.

E) The Board of Conciliators

Art. 42

The Board of Conciliators is composed of three regular members and two deputies elected by the Ordinary Meeting, which designate the Chairman. The Conciliators hold office for no more than three years and are re-eligible. The Conciliators may not receive remuneration for their services.

Art. 43

The Conciliators decide as friendly auditors. Their decision must be written within 1 month from the day the President of the Board of Conciliators has been notified of the controversy and must also be communicated to the President himself, to the Co-op and to the associate, within 15 days from the date.

TITLE VI

Financial Statements

Art. 44

The financial statements include the fiscal year (from the 1st of January to the 31st of December of every year), must be communicated by the administrators to the Board of Auditors, with the report and the justifying documents, at least 30 days before the day fixed for the Meeting called to discuss it.

The financial statements must stay deposited in copy, together with the administrators' and auditors' reports, in the Co-op's head offices, for 15 days previous to the Meeting and until it is approved, so that the associates may review it.

Art. 45

Net profits for the year are attributed as follows: 50% to the reserve fund and 50% to the fund provided for by art.4 letter d.

Redistribution of the reserves among the associates is forbidden.

The yearly operating losses are to be attributed to the reserve fund according to art.4, letter b. This fund must be, each time it is necessary, reintegrated with money taken from the fund according to letter c of art.4.

In case of exhaustion of reserves and of impossibility to reintegrate, according to previous paragraph, the losses should simultaneously be deducted from the residual amounts of the fund according to lett.d) and to the corporate assets, proportionally to their value.

Art. 46

In case of dissolution of the Co-op, the amount available at the end of the liquidation, having paid all liabilities, shall be transferred, after having taken out the associates' shares not exceeding the amount contributed, in favor of public entities with initiatives aimed at the modernization of artisan's production and of deeper knowledge and diffusion of related products.

Liquidators must notify the Ministry of Trade and Commerce of the reasons and motivations for the dissolution.

The President of the Board of Trade (Ministry of Trade and Commerce) shall decide the destination of the above-mentioned amount, together with the Ministry of Social Affairs and according to law...

TITLE VII

General and temporary provisions

Art. 47

For everything not contemplated by this statute, present law is binding.

Art. 48

The first year starts from the day of the constitution of the Co-op and lasts till the 31st December of the same year.

Art. 49

The first Board of Directors is nominated by the shareholders' assembly and holds office until the first session of the Ordinary Meeting, which provides for the election of all offices according to this statute's dispositions.

Art. 50

The first Board of Directors compiles the by-laws, that will be submitted to the Ordinary Meeting for approval during the first meeting. These by-laws apply, temporarily, until approval by the Ordinary meeting. The first Board of Directors stipulates with one or more credit institutions and with other entities the ad hoc agreements for the achieving of corporate goals according to art.2; it provides for the organization of the Co-op; it accepts possible contributions from the Ministry of Industry and Trade and from other public entities.

Art. 51

The first Board of Directors may allow the Co-op to participate in a county, regional or national Consortium, having the purpose of coordinating and empowering the local artisan guarantee co-ops' activities.

Art. 52

Any possible modification to this statute must be previously approved by the Ministry of Industry and Trade.

ANNEX 2 - PRATO TEXTILE DISTRICT AND ITS CONSORTIA.

Prato's geographical position is enviable, located halfway between Milan and Rome with two motor-ways and two railways that intersect nearby and an airport offering daily flights to the major European capitals. The rationalisation and expansion of the local industry is now assigned to a well-equipped industrial park, The Macrolotto, with an area of 400 hectares. Professional training is ensured by prestigious institutions such as the "Tullio Buzzi" Textile Institute and the University of Florence, which offers courses in Mechanical Engineering, Business Administration, Chemistry, Biology and Law. The cultural life of the city is also intense, with many clubs, theatres, a Civic Museum that is the headquarters of the local network of museums, and the Luigi Pecci Museum of Contemporary Art.

The industrial district of Prato presently extends over 700 sq. Km. and is home to 340,000 inhabitants, half of whom live within the Prato city limits. In addition to the textile industry, which employs 45,000 people, or 60% of local industrial employment and 35% of total local employment, there are many companies that produce textile machinery, chemical products and packing materials.

One of the factors that makes Prato unique is that its 45,000 workers operate in 8,000 local firms; 80% of these are small processing units (artisan firms). A curious phenomenon concerns the way so many independent companies are able to align their behaviour towards common objectives consisting of high quality standards and rapid delivery, small lots and competitive pricing.

Thanks to its original organisation, the district of Prato effectively combines all the typical advantages of industrial-scale production, like efficiency and reliability, with the advantages of the craftsman's small trade capable of dealing with rapid product change, custom lots, and prompt response to market demands. The manner in which production is organized is based on a complete breakdown of productive phases among hundreds of small and medium-scale companies, each specialised in a single process: spinning, dyeing, yarn twisting, beaming, weaving and finishing. In 1996 the value of production (according to a conservative estimate) was about 8,500 billion Italian Lira (4,800 million USD). About two-thirds of local production is exported. The second most important activity, after textile manufacturing, is the construction of textile machinery: 200 companies, with a turnover of 250 million USD. Approximately 60% of the machinery produced is exported.

Prato is an unquestioned international leader in the production of woollen, fancy yarns for knitwear, textiles for the garments industry, knits and other textiles for upholstery and industrial uses. Recently, new types of products have taken their place alongside the traditional product lines: worsted fabrics, linen, cotton, silk and viscose. The success of Prato is distinctive for the capacity of her manufacturers to design a wide range of products, to modify pre-ordinate production programs, and to maintain an edge in terms of average delivery terms. Every six months, at the start of the "Spring-Summer" and "Fall-Winter" seasons, the local mills present 2,000 new yarns and 60,000 new fabric designs. This enthusiastic pursuit of new ideas and the ability to anticipate trends make Prato a rich source of inspiration for the fashion world.

To illustrate the range of SME consortia present at the local level, a partial list of consortia operating in Prato today is provided here as a sample of the types and variety of SME consortia that may develop even within a limited geographical area.

The **PROMOTRADE** Consortium was created in 1978 by a group of firms specialised in the production of fabrics; at the present it counts more than 150 firms. The consortium's main field of activity is promotion including the two exhibitions (PRATO EXPO) at which the collections for the following seasons are presented once every six months.

PROMOARREDO is the consortium for the promotion of textiles for home furnishing. It is a group of Tuscan manufactures with a craftsman mentality but an industrial structure and organisation which aims at combining the fine Tuscan crafts tradition in this sector with innovation and style.

C.P.F (Consortium for the Promotion of Yarns) guarantees a more active presence on international markets, particularly on those of Japan and Far Eastern countries, both with regard to the products and image of the area. This consortium co-ordinates the firms which belong to PITTI IMMAGINE FILATI.

C.P.M. (Consorzio Prodotti e Manufatti) Consortium for the promotion of Knitwear, is a consortium composed of companies having different interests related to the fields of textiles - fashion - textile technology and auxiliary plants for textiles industry - textile machinery. It is a unique example of a multi-sectorial consortium.

TEKIN is a consortium created to deal with the problems of technological innovation and training in the textile sector.

PROGETTO ACQUA (Water Project Consortium) This consortium operates the local plant for the treatment and recycling of polluted water produced by the textile industry. This consortium is very important because it represents one of the very few examples where the local public administration co-operates with the private sector.

TEXMA PRATO is one of the oldest consortium active in the Prato area. It is a consortium for the promotion and development of textile machinery exports from Prato. (Please see Texma's story under AN EXPORT CONSORTIUM SUCCESS STORY.)

ANNEX 3

STATUTE OF EXPORT CONSORTIUM

NAME -HEAD OFFICE-TERM-PURPOSE AND OBJECT

Art. 1

(Name - Head Office)

A Consortium having name..., consortium for the promotion of export, for the development and commercialization abroad, of: [...] all the production related or linked to the textile industry of clothing, accessories, and machines is hereby constituted.

The legal office is set in [city and address]; with a deliberation of the Board of Directors, the legal office may be transferred and branch offices, representative offices and agencies may be set up.

Art. 2

(Purpose of the consortium)

The Consortium is a non-profit making association.

The purpose of the Consortium is to promote exports and to export the production of the associated enterprises, which must be small or medium [according to law...], also through the acquisition of orders, and the import on demand of the associates, of raw materials and of the semi-manufactured goods to be used by the associates, which must operate with all due respect of the professional ethics.

Thus the Consortium, in particular, intends:

- To develop export and to offer the associates suitable assistance for any related necessity, also through organizational structures located abroad;
- To institute a common distribution network;
- To promote, organize and regulate the collective participation of enterprises in exhibitions and industrial fairs taking place abroad, providing the necessary assistance;
- To promote the participation of delegates of associated enterprises to economic missions in foreign countries and to receive groups of operators;
- To institute a Consortium trade mark (or a brandname) and support it with "ad hoc" promotional actions;
- To guarantee the professional ethics of the associated enterprises;
- To collect information on customers and exchange knowledge among enterprises, the final goal being to foster export growth;

- To select sources for the purchasing of raw materials and of semi-manufactured goods to be utilized by the associated firms; to collect data and knowledge on these sources to be distributed to the associates.

It also may:

- Handle the elaboration of common catalogues;
- Study financial actions for social security purposes;
- Do market research to find out where the consortium's commercial activity could best develop and to take care of collective advertising;
- Develop any other activity strictly linked to those mentioned above and take all the initiatives necessary or helpful for the consortium's purposes including joining organizations and entities and the participation in [local] or foreign companies having similar purposes to those of the Consortium, also through the constitution of operative structures abroad.

The consortium is entitled to sign all the financial operations, personal and real, necessary or useful for the realization of the above-mentioned purposes, including the contracting of loans with credit institutes, the taking of a mortgage on the consortium's goods. The Consortium may pursue any other activity strictly linked to the above mentioned and to accomplish any other in pursuit of the Consortium's goals.

For the achievement of its ends, the Consortium shall rely on external cooperation and agree with external collaborators on forms of cooperation.

Art. 3

(Obligations of the Consortium)

For obligations assumed in the name of the Consortium by those persons that, according to the stipulations of this Statute, are granted that authority, a third party can claim their exclusive rights to the Consortium's fund.

For obligations assumed by the Consortium in the name of a single associate, under their specific authorization and on their behalf, the associates are responsible, while the Consortium guarantees the accomplishment of those obligations.

Art. 4

(Prohibition of the distribution of operating profits)

[...] it is forbidden to distribute the operating surplus of the Consortium in any form to the comprising member enterprises, even in the case of the dissolution of the Consortium.

Art. 5

(Duration of the Consortium)

The duration of the Consortium will be [...] years, which is until [...]; the duration can be extended and the Consortium can be dissolved in advance by the Extraordinary Meeting.

Title II

Art. 6

(Members of the Consortium)

The members of the Consortium are either "ordinary members" ("associates") or "sponsoring members" the requirements for which are specified respectively in art.6 b and art. 6c.

Art. 6 b

(Requirements and number of the associates)

The associates must be small and medium enterprises working in the [...] sector as specified in art 1 of this Statute, adhering to a territorial association and who perform their activities with the utmost respect for professional ethics and in particular:

-work with respect for the laws of their sectors;

-assure good relationships with their clients, suppliers and middlemen.

By "small" and "medium" size, it is specified that an enterprise not exceed the dimensions fixed as of [...] and that they are not already included under the definition of entrepreneurial group specified in [...].

Art. 6 c

(Supporting members)

The public and/or private entities, constructed under any form, which intend to sustain the activity of the Consortium, will be inscribed in the "supporting members" book upon their request and the approval of the Extraordinary Meeting.

The inscribed members assume the obligation of contributing annual dues, as determined by them with the Meeting, but which are not less than those of full members.

The associated members who, during their activity, fail to meet even one of the requirements as explained in art. 6b of the statute, can also be included among the sustaining members, effective immediately.

The sustaining members have the right to use some but not all, of the services of the Consortium.

They can be invited to participate in the Meeting, but without the right to vote.

Art. 7

(Admission of the associates)

Anyone who proposes to be admitted as an associate must apply to the Board of Directors.

The candidate must demonstrate that they meet all the requirements listed in article [..]. In the application the candidate must declare to have full awareness of the present statute, of the internal rules and of the deliberations, already adopted by the Consortium, and to accept them without reservation.

Admission is made with the deliberation of the Extraordinary Meeting of the associates once a year, preferably before the tenth of December.

Admission is offered if the application is met with a favorable vote by two-thirds of the associates, be it in the first or second convocation and in accordance with article 16.

The new associates must contribute the dues to the consortium within 15 days of the date of the announcement of their admission and the total will be 2.500.000 Lire plus the initiation fee which will be determined annually.

Art. 8

(Obligations of the associates)

Beyond the initiation fee described in Article 7, the associates must contribute an annual fee, the amount of which will be determined for each financial year by the Ordinary assembly on the basis of the previsionary budget. The associate is also obligated to:

- a) transmit to the Board of Directors all the data and news related to the application.
- b) submit oneself to all the checks required by the Board of Directors and by the Committee formed of 3 members, of which 2 are nominated from time to time by the Council and chosen from amongst the professional ranks, and one nominated directly by the subject in question, with the end goal of ascertaining the exact execution of the obligations laid out by the present statute and by these rule including:
- c) reimburse the expenses taken on the Consortium's behalf by the associate and refund the damages and losses sustained;
- d) observe the statute, the internal rules, the social deliberations and work to further the interests of the Consortium.

Art. 9

(Withdrawal of the associates)

The withdrawal of an associate is allowed, but the declaration of withdrawal must be communicated to the Consortium at least 3 months before the closure of each financial year.

The withdrawal has effect from the date of closure of the enterprise or, if not communicated according to the terms indicated in the preceding section, from the closure of the successive financial year.

If the associate has assumed responsibilities which last beyond the period during which he will be an active member, these responsibilities must be regularly acknowledged.

Art. 10

(Exclusion of the associate)

The Extraordinary Meeting, with a majority provided for under art.7, IV c. of this Statute, deliberates at any time the exclusion of an associate in the following cases, when the associate:

- a) no longer meets at least one of the admission requirements;
- b) is declared bankrupt or subjected to other contest proceedings;
- c) has not paid all or part of the contribution to the Consortium's subscribed capital, the membership fee, annual quota;
- d) has defaulted against the Consortium for obligations assumed by the associate, on behalf and according to the requirements of the Consortium;
- e) has not complied with other obligations contracted with the Consortium;
- f) has committed acts which constitute non-compliance with the dispositions of this statute, of the by-laws or of the deliberations of the Consortium's Bodies or has interests contrary to those of the Consortium;
- g) can no longer participate in the attainment of the corporate objectives;

Exclusion must be communicated to the associate within 15 days by the President of the Board of Directors by registered letter, return receipt requested.

The exclusion may be contested, causing its suspension, in front of the Board of Auditors (according to art.29 of this statute); if by the 10th day the contestation of the Board of Auditors is not contested or rejected, the deliberation becomes binding.

The Board of Directors may suspend the associate from all activities of the Consortium, in the time elapsing before the assembly deliberation, for a period not exceeding 6 months. The suspension does not exempt the associate from the payment of ordinary annual fees or the extraordinary quotas deliberated by the Consortium.

The suspension must be communicated within 5 days from the Board deliberation by registered letter, return receipt requested.

TITLE III

Art. 11

(Consortium's fund)

The Consortium's fund consists of:

- a) the participating shares subscribed by each associate (corporate capital). No associate can subscribe more than a participating quota of the value fixed by art.7 of this statute;
- b) the subscription fees;
- c) operating surplus which is not destined to the Ordinary Meeting for specific reserve funds.

If the Consortium's capital undergoes a reduction caused by losses, the assembly, after having excluded the responsibility of single administrators and/or Director, may deliberate the reintegration at the expense of the associates, stating modalities and terms.

Art. 12

(Corporate year - Working Balance Sheet)

(Estimate)

The accounting period goes from the 1st of January to the 31st of December of each year.

At the end of every period, the Board of Directors must report the financial position of the Consortium, with the profit and loss accounts, which constitute the Consortium's Balance Sheet.

Two months after the closing of the accounting period the Ordinary Meeting is convoked, within the same time period, the Board of Directors has to deposit the Balance Sheet, approved by the Ordinary meeting, by the chancellery of the Court.

The estimate is drawn up by the Board of Directors and presented to the Meeting for its approval together with the previous year's working balance. The Estimate must provide for a specific chapter related to fixed operating expenses (overheads). For this chapter a percentage of tolerance of 20% is allowed. To exceed the tolerated limit, the Board requires ad hoc authorization of the Assembly, without which all the members of the Board will be held responsible for reimbursing excess expenses, exception made for those who verbalize their dissent.

TITLE IV

Art. 13

(Bodies of the Consortium)

The Bodies of the Consortium are:

- a) the Associates Meeting;
- b) the Board of Directors;
- c) the President and the two Vice-Presidents;

d) the Board of Auditors.

Art. 14 (Associates Meeting)

The Meeting is constituted by all associates currently up-to-date in terms of participating shares, the subscription fees, the annual quotas and of the other amounts owed, in any form, to the Consortium.

Each associate has the right to one vote.

The Meeting is convoked at the Head Office of the Consortium (or in an alternative place) by the President, whenever he considers it necessary. The Meeting can also be convoked under requirement of at least one fifth of the associates, or in other cases provided for by law, though a notice of convocation must be sent, by registered letter, at least 15 days before the day fixed for the Meeting.

The agenda, the date, the hour and the meeting place must be reported in the notice of convocation.

In case of urgency, the convocation may occur by telegram or telex to be sent at least three days before the day fixed for the meeting.

The President of the Consortium takes the chair at the Meeting. In case of his absence or impediment, the Meeting itself will vote its own temporary President. The function of Secretary will be carried out by the Director, if nominated, otherwise the President of the Assembly will nominate a Secretary, save that the report should be approved by a notary public. The report should be signed by the President of the Assembly and by the Secretary.

The Meeting can be ordinary or extraordinary.

Art.15 (The Ordinary General Meeting)

The ordinary general meeting:

- a) approves the financial position, profit and loss accounts;
- b) appoints the members of the Board of Directors, the Auditors and the President of the Board of Auditors;
- c) determines the membership fee according to art.7, last sub-section (or sub-paragraph);
- d) establishes an annual contribution according to art.8, first sub-section;
- e) gives the general directives (or guiding principles) of the Consortium and deliberates on other matters regarding the management of the Consortium under its jurisdiction as established by this statute, the by-laws or by law. It also deliberates on those matters submitted for examination by the Board of Directors.

The Ordinary General Meeting must be convoked at least once a year within the deadline stated in art.12, 3rd sub-section, of this statute.

The Ordinary General Meeting is constituted as valid when at least one more than one half of the associated enterprises are present or represented.

In case the number of associates present or represented does not reach the number indicated in previous sub-paragraph, the Meeting, in second call, is constituted as valid regardless of the number of associates present or represented.

Be it the first or the second call, the deliberations are made by a majority vote of those present.

Art. 16
(Extraordinary Meeting)

The Extraordinary Meeting deliberates on alterations in the Articles of Association, in the Statute and in the by-laws, in the extension and in the event of anticipated dissolution of the Consortium., in the nomination of the Liquidators and the extent of their powers, and on any other matter expressly requested by new associates.

The Extraordinary Meeting in first call deliberates with a favorable vote of at least two thirds of the associates; in second call, it deliberates with a favorable vote of the majority (plus one), with the exception of dispositions under art. 7, 4th sub-section and art.10 1st sub-section.

Art. 17
(Representation in the Meeting)

The associate may be represented in case of impediment by another associate, save in the case of his membership on the Board of Directors, with a written proxy to be preserved by the Consortium.

No member of the Consortium may represent more than two other associates.

Art. 18
(Board of Directors)

The Board of Directors is composed of:

- 5 to 9 members appointed by the Ordinary Meeting and chosen from the associates.

The members of the Board meet at the Consortium Head Office or elsewhere, every time the President judges it necessary or when the majority of the members asks for it.

The calling of the Board is executed by the President with a letter written at least five days in advance and, in case of emergency, with a telegram or telex at least one day in advance, sent to the home address of each Member of the Board. The Board of Directors meeting is valid if the majority of the members is present at the meeting.

Deliberations are made by majority of the components of the Board. Votes being equal, the vote of the Chair prevails. The Board of Directors has all the powers for the ordinary and extraordinary management of the Consortium, save those reserved to the Ordinary Meeting by law or according to the statute; in addition, the Board may constitute commissions aimed at studying and realizing special programs.

Commissions, when instituted, propose to the Board of Directors work programs and the related expense and financial plans. Commissions supervises the implementation of the programs approved by the Board of Directors.

The report of the meeting of the Board is written by the Director, if nominated, otherwise by a member of the Board assigned by the President. The President signs the report.

Proxy is not admitted, not even to an other member of the Board.

The Directors hold office for 2 years and are re-eligible. The first Board of Directors stays in office for three years. If during a financial year one or more Members of the Board passes away, the Board is to proceed according to the Civil code on this matter. Directors do not pay any guarantee deposit and are not entitled to a salary.

A Member of the Board absent three consecutive times is removed; this holds for one who is absent for more than 5 times within the financial year. In these circumstances, the Board of Directors is reintegrated by nomination. The Member of the Board nominated, holds office until the natural expiration of the Board.

Art. 19

The President of the Consortium, and the Vice-presidents are appointed by the Board of Directors from among its members for two years terms, save the President and the Vice Presidents of the first Board who hold office for three years. Every member of the Board is re-eligible.

The President:

- a) calls and presides over the Meeting of the Associates and over the Board of Directors;
- b) gives the suitable dispositions for the realization of deliberations made by the Consortium's Bodies;
- c) hires the Consortium's staff and nominates the Director General and/or Secretary;
- d) oversees the keeping and preservation of documents;
- e) ensures the conformity of the operations with the interests of the Consortium.

In case of impediment or absence of the President, his functions will be exercised - save dispositions by art. 16, sixth sub-section, and by art 20, second sub-section, - by one of the two Vice Presidents, who is likewise nominated by the Board of Directors from among its members.

Art. 20

(Representation of the Consortium - Signature)

It is up to the President to sign for and to represent the Consortium in front of third parties and before a court, having the right to start legal and administrative proceedings and petitions for any instance of judgment.

In case of serious impediment of the President, the representation and the signature fall to one of the two Vice Presidents.

Art. 21
(Board of Auditors)

The Board of Auditors is composed of three permanent members and two deputy-members chosen from chartered public accountants, and elected by the Meeting, which determines their compensation.

The president of the Board of Auditors is elected by the Ordinary Meeting.

Auditors hold office for two years, save the first ones who hold office for three years. Auditors are re-eligible.

They exercise their functions under the rules stated for a joint-stock company, in that these rules are compatible with the Consortium structure.

TITLE V

Art. 22
(Grants made by public or private Entities)

In accordance with the Consortium's finalities, public or private Entities may give their support through grants or contributions.

TITLE VI

Art. 23
(Management)

The Director (nominated as per provisions under art.19, second sub-section, letter "c") is entitled to enforce the deliberations of the consortium and to supervise its management.

The Director participates, without the right to vote, as Secretary at the General Meeting and at the Meeting of the Board of Directors.

TITLE VII

Art. 24
(Transfer of Enterprise)

In case of transfer of an enterprise the relationship with the Consortium continues with the new principal of the enterprise, on the condition that the requirements under art. 6 persist and that the Ordinary meeting approves the new principal's admission to the Consortium.

In the event of a deliberation of non admittance (according to art.10, second sub-section) counter-action is admitted as provided for by art 10, 3rd sub-section.

Art. 25
(Liquidation of the shares)

In case of withdrawal or exclusion of an associate or in case of non-admission of the new principal of a transferred enterprise the association quota_quoted in a) of art.11 is returned at its nominal value to the associate who has entirely extinguished his obligations with the Consortium.

Art. 26
(Dissolution of the Consortium)

In case of dissolution, the Extraordinary Meeting is charged with the appointment of one or more

Liquidators and with the determination of related powers.

Once all liabilities have been covered and the associates reimbursed for their subscription fees (not to exceed their nominal value), remaining corporate assets will be transferred (further to the deliberation of the Members' Meeting) to Entities having corporate goals or social finalities similar or instrumental to those of the Consortium.

Art. 27
(By-laws)

The Ordinary Meeting approves the by-laws for the implementation of this statute and that which is necessary to assure the functioning of the Consortium.

Art. 28
(Sanctions)

In case of infractions of the dispositions of this statute, of the by-laws and of the consortium's deliberations, the President invites the defaulting associate to present written justifications and immediately convokes the Board of Directors to establish possible sanctions.

The President communicates to the associate the deliberation of the Board by registered letter, return receipt requested. Everything provided by art.10 of this statute is still valid.

Art. 29
(Settlement of disputes)

Any dispute regarding the interpretation of these articles of association (statute) and rules thereof, is settled by a Board of Auditors composed of three Auditors: two appointed by the two parties and the third, assuming the function of President, nominated by the two Auditors. In case of variance the third Auditor is nominated by the President of the Court.

Art. 30

(Cross reference to the dispositions of the Civil Code)

For everything not provided for by this statute, the Civil Code is binding.

ANNEX 4 - LAW 317/91

What follows is a selection of articles taken from Italian Law 317/91 titled: "Policies for the innovation and development of Small and Medium scale Enterprises."

Selection criteria are connected to the main theme presented by the working paper: the foundation and growth of SME Consortia (including Credit Guarantee Co-operatives) as a tool for the development of the entire SME economic and financial environment. The following articles will illustrate Italian national facilities focusing on the evolution of Consortia.

LAW 5 OCT. 1991, N.317.

INTERVENTIONS FOR THE INNOVATION AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES.

CHAPTER I PURPOSES AND FIELD OF APPLICATION.

Art.1

(Purposes of the law and definition of small enterprise)

- a) The present law has the purpose of promoting the development, innovation and competitiveness of small enterprises, also constituted in a co-operative form, in particular regarding:
 - b) the diffusion and development of new technologies;
 - c) the development and activity of consortia created by small associated enterprises; of credit guarantee co-operatives constituted by small industrial, crafts, commercial and service enterprises;
 - d) the diffusion of new financial instruments and structures for the innovation and the upgrading of small enterprises;
 - e) the foundation, development and modernisation of small enterprises located in industrial areas which have undergone sectorial crisis ...;
 - f) the investments for innovative small enterprises.
- 2) For the present law one shall consider:
 - a) a small size enterprise that which has a maximum number of employees not exceeding ... and an invested capital not exceeding ...\$, after all depreciation and monetary revaluation;
 - b) a small commercial /services enterprise, ..., that which has a number of employees not exceeding ... and a maximum invested capital of ...\$, after all depreciation and monetary revaluation.
3. Facilities under articles 6, 7, 8 and 12 are directed toward:
 - c) small industrial or service enterprises also constituted in co-operative form. Service enterprises are to be considered those operating in the subsequent sectors: technical research, project and co-ordinating infrastructures and plants for computerisation, electronic data processing;
 - d) crafts production enterprises ...
- 4.- 6. Omissis

Art.2.-16. Omissis

**CHAPTER IV
CONSORTIA OF SMALL ENTERPRISES**

**Art. 17
(Beneficiaries)**

1. Consortia ...also constituted in co-operative forms, between small industrial/ commercial/ service enterprises, aimed at the promotion of the development (also technological), the production rationalisation, and also aimed at the commercialisation and management of associated enterprises, can be beneficiaries of facilities under articles 20 and 24.

- 2.-3. Omissis

**Art. 18
(Consortia composition)**

1. Consortia quoted in article 17 must have a minimum of 5 member firms and a corporate fund of at least ... \$. The corporate share subscribed by each firm shall not exceed 20% of the corporation's fund or corporate assets.
2. Profits and operating surpluses of any kind may not be distributed to associated firms, not even in case of dissolution of the consortium. This prohibition must be expressly stated by the consortium's statute.
- 3.

**Art. 19
(Object of activity)**

1. Consortia (see art. 17) activities , to be undertaken in the interest of associated firms, may include:
 - a) the acquisition of instrumental goods and of advanced technologies indicated in article 6;
 - b) the acquisition of raw materials and semi- finished goods;
 - c) the creation of a common network of distribution, the acquisition of orders and the introduction into the market of associated firms' products;
 - d) the common acquisition, construction and management of warehouses or centres for the wholesale trade;
 - e) the promotion of sales through the participation to and the organisation of trade fairs, through advertising , market research, catalogues, the preparation of any other helpful promotional action;
 - f) the participation in public and private bids in local and foreign markets;
 - g) the implementation of scientific, technological, technical research and training programmes in the field of managing techniques;
 - h) the lending of technical and consultation assistance;
 - i) the assistance and consultation for projecting, managing and realisation of systems and plants for purification and ecological draining ..., assistance and consultation for problems related to the environmental impact of industrial plants;
 - l) the assistance and consultation for upgrading and controlling quality and lending of related guarantees;
 - m) the realisation of quality labels and the co-ordination of the production of the associated firms;

**Art. 20
(Contributions for service-consortia)**

1. [...] Contributions are granted in capital account to consortia [...] according to article 17, for the financing of programmes aimed at the promotion of activities stated in article 19.

[...]

2. Comma 1 contributions are granted and disbursed by the competent local authorities [...]

Art. 21 (Access to contributions)

1. To have access to contributions in capital account stated in article 20, interested consortia must show to the competent local authority, and for acknowledgement, to the Ministry of Industry and Commerce, a programme of activities (that can also be a multi-year plan), asking for the admission to the interventions of the fund covered by article 43, subparagraph 1. The programme must indicate:

- a) the description of the initiative, specifying the type of investments in tangible and intangible assets and the main goals to be reached;
- b) the ways and means (and times) of realisation;
- c) total expenses and their time distribution.

2. Omissis

3. Competent local authorities, within a maximum time of 60 days after the last term possible for the presentation of the applications (for the contributions under article 20), stated annually by the Ministry of Industry and Commerce, take care of the proceedings and, within the same period, transmit to the Ministry of Industry..., together with the programme of development of consortia initiatives in the territory, the documentation of the prepared applications [...]. The mentioned regional project-programme must indicate the estimated investments, the grants required to public entities, the appropriations of funds from the regional authority and those provisions that, on the basis of the submitted applications, are requested from the Ministry of Industry.

4. Within 60 days of the date indicated in subparagraph 3 of the present article, the Ministry of Industry... approves the applications for credit passed on by the regional authorities. On the same date, the Ministry arranges the distribution of the amount indicated in article 22 (sub paragraph 6) among the applications for credits received, according to the amount stated by the present article (sub paragraph 3).

5. If the Regional Authority does not provide for all the required acts stated in the present article (subparagraph 3), the proceedings are arranged by the Ministry of Industry..., and contributions are disbursed by the Ministry of Industry as well...

6. The Regional Authority must submit, before the 31 of January of each year, to the Ministry of Industry, a detailed documentation regarding the use of the grants provided for by the present article (sub paragraph 4).

7-8: Omissis

Art. 22 (Amount of the contribution and payment)

1. The contributions in capital account indicated in article 20 are granted, within a limit of ...\$ a year for any beneficiary subject, and not exceeding ...\$ for every three-

year period, in the maximum amount of 30% of the expenses met for the realisation of the programme.

2. For consortia located in Italian areas[...] which underwent industrial crisis, the contribution is granted, within a limit of...\$ every three-year period, representing a maximum of 50% of the expenses met for the realisation of the programme.

3. Omissis

4. The contribution may be requested together with the grant stated in article 24. In this case the application form for the contribution must be sent by the financing entity to the competent Regional Authority.

5-6: Omissis

Article 23: Omissis

Art. 24 (Facilitated credits)

1. Aiming at the promotion of activities stated in article 19, credits may be granted by credit institutions , within a maximum amount of ...\$ and with an duration not exceeding 10 years, the facilities provided for by this article may be extended also to the start up phase of a consortium.

2. Contributions provided for by article 22 and facilitated credits provided for by the present article may not in total exceed 60% of the estimated expenses for the activities stated in article 19. The limit is 80% if relevant area is undergoing a period of industrial crisis,...

3. Credit institutions nominated in subparagraph 1, after having decided upon the facilitated credits and waiting for them to be disbursed, may effectuate pre-financing operations at a cut-rate... on the condition that the consotium utilises its own means for at least ...\$.

Articles 25-26: omissis

Art. 27 (Mixed capital Consortia)

1. Also consortia being funded by a mix of private and public capital may be beneficiaries of the facilities provided for by the present article. They must have indicated in their statutory act that the societary goal is to offering services for technical, management and organisational innovation for small enterprises.

2. The above mentioned consortia must be composed of enterprises and public entities, no fewer than 5, having a share capital of more than ...\$. Public entities may be: universities, the national research centre, chambers of commerce, credit institutions, territorial public institutions, regional agencies , private entities in the R&D and finance sector, entrepreneurial trade unions.

3. Omissis

4. Total capital stock shares subscribed by the small enterprises indicated in comma 1, must represent more than a half of the consortium's total capital. The number of

private small enterprises in the mixed consortium must exceed in number the other associated institutions.

5-6: Omissis

7. Activities of the above mentioned consortia (sub paragraph 1) to be carried out with the exclusive goal of helping small enterprises (described in comma 1), must regard:

- a) technological research, design, testing, acquired knowledge, technical-organisational and market related assistance. This assistance must be linked to the technological innovation, the consultancy, the diversification of products and their market opportunities; all of this shall reserve a special attention to the discovery, diffusion and application of technological innovations;
- b) the consultancy and assistance for the start up and consolidation phase of new entrepreneurial activities;
- c) the professional training aimed at introducing new technologies and methods for the upgrading of quality on the basis of specific agreements with the competent Regional Authorities;
- d) the acquisition and design of areas with adequate production facilities; the promotional activity for the start up of productive units in the area, the design and realisation of urbanisation works and services, not forgetting the equipment of public spaces for common activities;
- e) the selling and granting to firms of lots in equipped areas;
- f) the construction of factories, plants, industrial and artisanal laboratories, deposits and warehouses in equipped areas;
- g) the selling, renting, leasing to enterprises of buildings and plants in equipped areas (with facilities);
- h) the construction and management of purification plants for the discharge of productive settlement;
- i) the recovery of pre-existing industrial plants for their utilisation for productive activities;
- l) the running and management of combined plants for the production and distribution of electricity and heating power in self-production arrangement;
- m) the acquisition or the selling of electrical power from third parties to be destined to the integrative cover for consortia requirements.

8. For the activities stated in comma 7, contributions under article 22 may be granted to consortia (sub paragraph 1), not exceeding ...\$ a year and not for more than ...\$ each trimester, by 50% of the allowable expenses.

9-12: Omissis

13. The above mentioned contributions may be combined with financial facilities granted in accordance with national, regional, provincial laws, unless they do not exceed the maximum intervention's limits.

14: Omissis

Art. 28 (Revocation of facilities)

1. The revocation of facilities stated under article 20 and 27 is commended whenever induced programmes are not implemented within the time limits of three years from the decree of financial granting.

2-3: Omissis.

CHAPTER V

CREDIT GUARANTEE CO-OPERATIVES

Art. 29

(Credit guarantee co-operatives)

Beneficiaries of the facilities indicated in article 13 are: credit guarantee co-operatives as stated in article 30 which have the following co-operative goals:

- a) the activity of lending to support the granting of credits from financial institutions to small associates companies;
- b) the activity of informing, advising and assisting associates in their search for and utilisation of financial sources, and the services for the upgrading of the financial management of the associated firms. [...]

2. Omissis

Art. 30

(Admission to national grants)

1. Co-operatives and consortia implementing the activities referred to in article 29, are entitled to access to national facilities stated in the present chapter only if composed of at least 50 industrial, commercial or services small enterprises.

Article 31-43: Omissis