



- NEWSLETTER N° 4, JUNE 2006 -

FinNetSME – Network for Regional SME Finance

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CALENDAR OF NETWORK EVENTS

Date	Theme	Venue
25/27 October 2006	4 th Seminar Financial Engineering	Kainuu, Finland
January 2007	Validation seminar	Rome, Italy
2007	Final Conference	Brussels, Belgium



The database of regional financial tools is now open to the public, and available at www.finnetsme.org

Editorial

Since the last publication of the FinNetSME newsletter in December 2005, three main events have taken place.

- An additional meeting of the four working groups was organised in Berlin in February and hosted by InvestitionsBank Berlin. This was the opportunity to ensure the coherence of the results prepared by each workgroup in the last months, and prepare the presentation of the results for the Mid-Term Conference.
- The organisation of the network's Mid-Term Conference in Kiel, Germany, confirmed the high interest of private and public European authorities SME finance as a tool to re-launch the Lisbon agenda. Over 140 participants took part in this high-level event which included a presentation by David White, Director for Innovation Policy at DG Enterprise & Industry, and a welcome speech by Peter Harry Carstensen, Prime Minister of federal state Schleswig-Holstein. A report on the discussions held can be found on page 6.
- The third seminar on "Challenges to regional finance", organised at the end of May by Centro Sviluppo and FinPiemonte;

As in previous editions, we present readers with new financial tools aimed at helping innovative companies developed in various European regions. This time we present you the Berlin Start initiative, and a new tool for companies located in Castilla y Leon.

Readers are warmly invited to attend the network's upcoming seminar, to be held in October in Kainuu (FIN) and which will focus on "financial engineering" for SMEs. The presence of Mr. Sauli Niinistö, Vice-President of European Investment Bank, will be a highlight of this event as you can read on page 14.

The network now has 5 associated partners, and readers will be able to learn more about the Encouragement Bank based in Bulgaria on page 17.

Enjoy your reading!

About the FinNetSME Project

The Network for Regional SME Finance, FinNetSME, is a project designed to encourage an intensive exchange between regional public financiers on how to improve access to finance for Small and Medium Size Enterprises (SMEs).

20 development banks and development agencies from nine EU Member States have jointly created the network in order to discuss current problems of SME finance, to compare the situation in their respective regions and to suggest practical ways how to bridge the market gap in SME finance, with or without public funding. In addition, the networks strongly welcomes the participation of other actors as 'Associated Partners', in order to create the broadest possible basis for discussion.

The project, supported by the European Union, will contribute to a greater awareness of the value of regional access to finance in the partners' regions. Through the establishment of enhanced co-operation among partners and other stakeholders, the project will make it easier for regional governments to gain expertise in facilitating access to finance through their specialised institutions.

Starting Point

SMEs play a key role in regional development. They ensure economic and social cohesion as well as sustainable development. However, they depend on adequate access to finance. Currently, the market does not respond sufficiently to the finance needs of SMEs, particularly in the economically less dynamic regions. These market gaps will become even greater with the effects of the Basel II Accord, especially the increased capital requirements for banks that will be felt keenly by SMEs, especially in the new Member States.

The issue of insufficient access to finance for SMEs is of particular relevance to the regional funding institutions, owned and run by their respective governments and specialised in SME finance, as they hold key responsibilities in creating favourable conditions for the regional economy. There

is a strong need for an inventory of existing good practices in SME finance to help improve the situation by exploiting the given financial sources in an innovative way. Policy makers and financiers need this reliable source of regional know-how to find the best solutions for the development of their region.

Typically though, regional actors are compartmentalised, and information of value for public financiers, entrepreneurs and potential investors is not shared. Despite the efforts to establish European and national networks for interaction on the issue of regional SME finance over the past years, the exchange of know-how between regional financiers on successful ways of employing public support structures for SMEs is still weak, and transparency is lacking.

FinNetSME was created in 2004 to overcome these weaknesses. Activities will run at least until June 2007.

Project Objectives

- Improvement of access to finance for SMEs
- Closure of the equity gap
- Promotion of entrepreneurship
- Reduction of unemployment
- Contribution to regional economic development

The sub-objectives are:

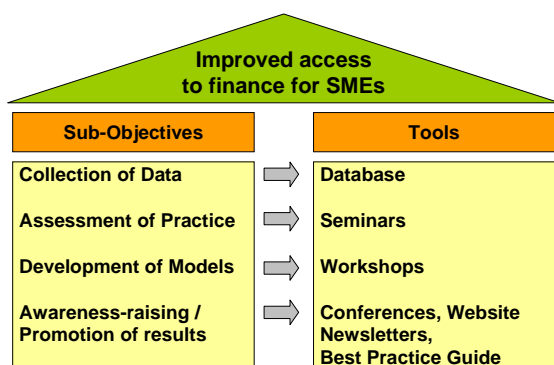
- Collection of data on regional finance
- Assessment of existing regional practices
- Development of models for regional finance
- Raise of awareness for value of public SME support

Project Tools

A database comprising publicly supported regional financing instruments has been set up and will be fed with good practice examples by the partners and associated

partners during the whole project time. The project website www.finnetsme.org is now open to the public and provides online information on public regional finance and contact details. Throughout the project, electronic newsletters inform about the latest developments in regional finance.

In addition, a "Best Practice Guide on regional supply chains and public regional finance" as well as a "Who is Who of public regional finance" will be produced. These tools are to serve for future guidance of developers of financial schemes and regional supply chains. Thus, a Centre of Competence of regional finance centralising existing regional knowledge and contacts is emerging.



Five seminars, hosted by the network partners in locations across Europe, provide a platform for discussion of core issues with regards to regional SME financing. Three of these events, "The Role of Regional Financiers in the EU" and "The Regional Supply Chain", have successfully taken place in Vilnius (Lithuania), Halkidiki (Greece) and "Challenges for Regional Finance" (Italy). The 4th seminar "Financial Engineering" will be held in Kainuu (Finland) in October 2006 (see also page 14) followed by the "Validation" seminar in January 2007.

The range of network events also includes three conferences open to all interested parties, reaching national and regional financial players, incubators, regional development agencies, business associations, public authorities and EU institutions. While the first conference in Brussels in November 2004 marked the official project kick-off, the second conference "Regional SME finance to re-start the Lisbon Agenda" in Kiel on 23 March 2006 was the occasion for a mid-term review. The last conference, again in Brussels in May 2007, will give the opportunity to take stock of the results achieved.

Long-Term Impacts

In the long run, FinNetSME will contribute to regional development in the EU by improving regional access to finance for SMEs and the quality of new financial instruments, therefore fostering enterprise creation and stimulating a culture of entrepreneurship that will reduce unemployment. Linking regional specialised funding institutions to develop common approaches towards EU institutions and the EIF, FinNetSME will shape future EU regional policies and instruments.

- Sustainable dialogue between regional financiers
- Greater awareness of the value of SME support
- Increased transparency of financial instruments
- Facilitation of gaining expertise on SME finance
- Improved quality of new financial instruments
- Contribution to regional development

The FinNetSME Partnership

Organisation	Country
Sächsische Aufbaubank - Förderbank - (SAB)	Germany
Finanziaria Laziale di Sviluppo (FILAS)	Italy
Agencia de Inversiones y Servicios de Castilla y León	Spain
Investitionsbank Schleswig-Holstein	Germany
Thermokitida Neon Epichiriseon Chanion	Greece
NRW.Bank	Germany
Gepafin Spa	Italy
Fundación Comunidad Valenciana – Región Europea	Spain
Centro Sviluppo S.p.A.	Italy
UAB "Investiciju ir verslo garantijos" (INVEGA)	Lithuania
Investitionsbank Berlin (IBB)	Germany
Latvijas Hipotēku un zemes banka	Latvia
Investitionsbank Sachsen-Anhalt	Germany
Kainuun Etu Oy	Finland
European Association of Development Agencies - EURADA	EU
Società consortile Langhe Monferrato Roero a.r.l. (LAMORO)	Italy
Anaptixiaki Anonimi Eteria Anatolikis Thessalonikis "ANATOLIKI A.E."	Greece
Finpiemonte S.p.A. (Istituto Finanziario Regionale Piemontese)	Italy
European Association of Public Banks - EAPB	EU
Banca San Francesco (Associated Partner)	Italy
Encouragement Bank Bulgaria (Associated Partner)	Bulgaria
UAB "Žemės ūkio paskolų garantijų fondas" (Associated Partner)	Lithuania
Ministerium für Wirtschaft des Landes Brandenburg (Associated Partner)	Germany
Finance Wales plc (Associated Partner)	UK

Success of the Network's Mid-Term Conference "Regional SME finance to re-start the Lisbon Agenda"

On 23 March 2006, the Mid-Term-Conference took place in Kiel, hosted by Investitionsbank Schleswig-Holstein IBSH. The conference was a great success and attracted high level speakers as well as over 140 participants; eager for knowledge on the results of FinNetSME so far.

Dr. Klaus Rave, Member of the Board of Investitionsbank Schleswig-Holstein, welcomed the participants. He gave the floor to Peter Harry Carstensen, Prime Minister of federal state Schleswig-Holstein, speaking of difficulties of SMEs in finding finance. He confirmed that FinNetSME has practical significance in the regions and thus should participate in other European projects.

First speaker, **Prof. Dr. Dennis J. Snower, President of the Kiel Institute for World Economics** spoke about the necessity of flexibility in economy. Changes in persons and capital must lead to changes in production. Needs have changed in the past and will carry on doing so. The changing process can only be confronted by flexibility. The European SMEs are not as developed compared with SMEs in the USA and venture capital for SMEs in Europe is in its infancy. Equity is to be bound to strengthen access to finance for SMEs since equity plays an important role for them.

Mr. David White, Director of directorate D, Directorate General (DG) Enterprise, bridged flexibility to competitiveness. Flexibility leads to competitiveness and innovation is the driving force. Innovation is the strategy leading to growth and jobs. Mr. White underlined the widening innovation gap between the USA and Europe.

Innovation needs to find finance. The significance of innovation is illustrated on the Microsoft expenditures on research and development. The research budget of Microsoft, with 7 billion USD per year, is the same amount spent by the whole EU budget on research. Changes are also needed on the financial market. The financial market has to be innovative itself, to support innovative companies. Mr.

White saw the conference as a step of finding ways to support growth and jobs.

The Conference was divided into three roundtables with time for questions to the speakers and discussions.

Roundtable 1: FinNetSME – Outcomes of the network for Regional SME finance and their relevance for the restart of the Lisbon Agenda

The first roundtable, moderated by **Christian Saublens** from the **European Association of Development Agencies (EURADA)**, started with a general FinNetSME overview given by **Peter Flath** from **Sächsische Aufbaubank – Förderbank**, Lead Partner of FinNetSME. The presentation underlined the objectives of the Lisbon agenda and the importance of SMEs in achieving these objectives. FinNetSME has been set up to tackle exactly the financing problems experienced by SMEs in different regions of the EU. The following presentations, held by the working group coordinators of the four work groups: Micro Credit, Early stage finance, Equity finance and Regional supply chain of FinNetSME, were meant to give the audience an overview on the work done so far and the next activities. **Christian Müller, NRW Bank**, explained his role as general coordinator of the 4 working groups: making sure that all results fit into a coherent structure.

Cornelia Gerster, from the European Association of Public Banks (EAPB), announced that the **FinNetSME database** was now opened to **public access** (accessible at the project website www.finnetsme.org). The database, one of the network's central achievements and major outputs, contains the network's outputs and results achieved until mid-term of the project duration. It gathers, organises and analyses information on business support measures for SMEs in the regions, giving interested parties easy access to this information and passing on knowledge and proposed solutions. This way, it forms the foundation for new

solutions and new strategies for SME finance, which FinNetSME seeks to find.

At present, the database provides systematic information on some 90 financial and non-financial business support instruments. The database gives a short and meaningful description of each support measure as well as basic information on the businesses and investments eligible for support apart from information on the amounts of funding and on the funding sources etc. This information is presented in context with the key economic data of the region in question, information on the partner providing the instrument and the contact details of the persons in charge. At the same time, cross-links are provided to complementary instruments used in the same region. The database will also include the models which the FinNetSME working groups are currently developing. In the future, the partners will continue to submit new instruments into the database. This way, the stock of information will grow constantly. New associated partners will also contribute with input. In the long run, the database is going to guarantee the durability and visibility of FinNetSME's results. With its pool of information on instruments, regions, contacts, and models, the FinNetSME database is going to be the central pillar of the centre of competence on regional SME finance, the ultimate aim of FinNetSME.

Mr. Michel Lamblin, Programme manager of INERREG III C WEST spoke of the importance of interregional teamwork and gave a small overview on budgets. The programming period 2003-2006 had a budget of 315 m€, spread over 263 projects with 2634 partners (all are public or public equivalent bodies) in 49 countries. A chart shown by Mr. Lamblin demonstrated the involvement of the EU member states in the projects. The most active partners participating in INTERREG III C were from Italy, whereas the majority of lead partners were located in Germany. In the next period, from 2007 – 2013, the programme will be part of the so-called European Territorial Cooperation. The future of the interregional cooperation will focus on Lisbon and the Gothenburg

priorities: environment, risk prevention and energy.

Roundtable 2: Competitiveness and innovation for SME in the region-added value of support programmes and services

Dr. Klaus Rave moderated the second roundtable, which started with a speech by **Dr. Jorgo Chatzimarkakis, Member of European Parliament (MEP) and rapporteur for the Competition and Innovation Programme (CIP)**. Mr. Chatzimarkakis provided information on the provisional EU budget negotiations. In his opinion, the budget decrease of 70% of the CIP programme had now reached a critical level.

Experiences from Saxony with the GA-Promotion Programme were subject and demonstrated by **Mr. Irmen, Member of the Board of SAB**. **Mr. Opitz**, Director of EU-policy unit of KfW Bankengruppe, explained how the Integration of EU financial instruments, such as the Multi-Annual-Programme (MAP) guarantees and ESF (European Social Fund) funds, could be integrated into micro finance schemes provided by KfW. **Prof. Foders**, from the **Kiel Institute for World economics** spoke about the importance of innovation for prosperity and competitiveness and thus the necessity for the creation of innovation clusters. Clustering drives regional development, since innovation always occurs locally, by building private and public partnerships to mutual benefits which are based on formal and informal linkages. Therefore, one has to concentrate on existing regional strengths, not just to emulate other regions. Mr Foders deplored the fact that finance is a scarce resource for new, innovative SMEs in Europe. This problem could be tackled by the creation of regional centres that match public and private funding and attract business angel investors. To create sustainable income and employment the regions should not focus just on high techs but create a portfolio of clusters.

Dr. Angelo Wille, from DG Enterprise and Industry, introduced the audience to financial instruments available under the MAP and CIP programmes. This includes investments and co-guarantees of the

European Investment Fund (EIF) and the aims of the Joint European Resources for Micro to Medium Enterprises (JEREMIE), which could be managed by EIF.

The last presentation of this roundtable dealt with the **Euro Info Center (EIC) Network** and was made by **Silke Brüggelors**. In Europe 308 EIC are networking for competitiveness and innovation. In 2004 the EICs replied to more than 310.000 requests for information, advice and assistance; they assisted 140.000 companies with business cooperation projects and organised more than 4.700 events all over Europe. Through its work, the EIC "translates" the idea of a common Europe into the day-to-day work of SMEs.

During the discussion at the end of the second roundtable presentations, information was requested on the role of the regional banks within the CIP programme. The programme as well as the JEREMIE instrument implemented by the EIF will indeed be open for all intermediaries national as well as regional.

Roundtable 3: Regional development for growth & jobs – SME support through EU-Structural funds

Speakers for this roundtable were:

Dr. Jens Haas,

Director General for Economic Development, Trade and Tourism, Ministry of Science, Economic Affairs and Transport of Federal State Schleswig-Holstein

Wolf-Rüdiger Janzen

Chamber of Commerce Kiel, General Manager

Hansjörg Schaal,

Federal Ministry for Economy and Technology, Germany, Head of Unit EA5, EU Regional Funds

Stephan Opitz on behalf of Marc Schublin,

Head of Division and JEREMIE-Team in EIF

The moderator of the last roundtable was Stephan Opitz.

The third Roundtable dealt with problems and difficulties of SMEs to get involved in the EU-funds and the necessity of creating facilities supporting them. The *de minimis* ceiling amount should be raised. Suggestions to think over the funding policy, especially with regard to the effects of the regional employment situation when funding an enterprise were made. The lack of regional growth cannot solely be assessed by the EU and the regions themselves need to develop tools according to their bottlenecks.

Mr. Opitz, who spoke on behalf of Mr. Marc Schublin, provided more detailed information on the JEREMIE programme, the joint initiative of the European Commission, the European Investment Bank and the European Investment Fund to improve SMEs' access to finance in the framework of European Regions. The programme mainly aims at encouraging the new member states to use the structural funds (ERDF) in an innovative way. The member states will be able to use part of their structural funds through funds or holding funds developed by the EIF in order to obtain a set of financial products specifically designed to support Micro, Small and Medium Sized Enterprises.

During the discussion following the last roundtable Mr. Janzen regretted the lack of confidence regarding the EU-projects. He sees the constant evaluations and subsequent changes as destructive. Also the policy of funding by areas was questioned; Mr. Schaal mentioned that regional policy reached a critical point and should in the future focused on SMEs worth to be funded.

To conclude, Dr. Claus Rave summarised the Conference with the keywords of the day. The **"Mid-Term-Conference-Alphabet"** he presented contained the most important words of the topics of the conference.

Report from the 3rd Thematic Seminar "Challenge for Regional Finance" (Torino, 29 May 2006)

This third seminar of the FinNetSME project was organised jointly by the Aosta Valley and the Region of Piedmont, who are both represented in the project partnership (Centro Sviluppo from Aosta and FinPiemonte) and neighbouring regions in the North of Italy. Below is a snapshot of the discussions that took place during the event.

Mr. de La Torre, Councillor for Industry and Labour of the Aosta Valley Autonomous Region, welcomed the participants and presented some of the specificities of the Aosta Valley. It is an autonomous region, with a special status, at the centre of Europe. The need to develop communication infrastructures is therefore at the centre of the development strategy of the region. The Aosta Valley wants to leverage on its weaknesses, meaning that the lack of large infrastructure can be perceived as strength. Some of the basic figures on the region are:

- GDP of 3.7 billion €, for a total population of 125.000 inhabitants;
- 1.2% of the activity is agriculture;
- 11.5% of the activity is in the manufacturing sector;
- 83% of the activities are in the sectors of tourism, services and public administration.

According to Mr. de La Torre, the region needs to be more aggressive to get better known to the rest of Europe and the world.

The next presentation was made by **Mr. Mario Calderini, from FinPiemonte S.p.A.**, on "The Regional Development Agency" and the "Regional entrepreneurial scenario". FinPiemonte, created in 1977, is an instrument for regional development, as financial arm of the regional authority acting as a holding; FinPiemonte funds projects and offers technical and financial support. The role of FinPiemonte has focused since its creation around the two strategic lines: Implementation of complex investment projects (Science Parks, incubators) and High value added services such as consultancy, management of funds from the region.

Mr. Calderini mentioned that regional financial resources are constantly decreasing, and harder to allocate. Moreover, 300 million € have been earmarked for the next programming period, a small amount of money which will push the regions to find additional sources of funding. Some strategies to tackle this issue are shared with the partner region Aosta.

Devolution is taking place at the moment, also in the R&D sector, one of the pillars of the Piemontese economy since Piedmont is the biggest R&D spending region in Italy.

The role of the Regional Development Agency will be revived now, and focus on 3 main tasks as assistance to R&D in developing and designing policies and legislation (rethinking of the whole technology transfer and R&D implementation); innovative financial tools (including the attraction of equity investments) to support SMEs and widening of support activities.

Mr. Calderini concluded that Turin was overcoming its period of economic difficulties triggered by the crisis of the automotive industry, as the success of the Winter Olympic Games could attest. Some of the new topics important for the region are now energy, and mobility.

Mr. Giuseppe Benedetto, Director of the Council for Industry of the Piedmont Region, introduced the audience to the 3 main instruments used in the region.

The first is the DOCUP (Single Programming Document implemented for the 2000-2006 period by the regional authority). With DOCUP the region uses the ERDF resources to tackle future challenges and become more competitive by:

- internationalisation strategies (improvement of the image of Turin, external relations) by financing joint ventures and participating in international fairs;
- systems qualification: focus on technological innovations (service centres, technological parks...).

DIADA, as an example of the connection between research and enterprises, and successful public-private partnerships, aims at the enhancement of the territorial experience by triggering bottom-up cooperation to integrate the local level with the regional one.

Social cohesion is another big objective of the region, with a special focus on closing the gap between rural and industrial areas and richer and less well-off areas.

The second instrument is the Guideline for 2007-2013 set by the Commission. The Gothenburg and Lisbon guidelines argue that 50-60% of the funding should be dedicated to Research & Development, and the Piedmont region wished to follow this instruction. Private research is already well developed while public research can be developed and improved.

The main changes with regards to the DOCUP are a reduction in the number of measures for more efficiency, and the concentration on highly innovative projects like hydrogen, biotechnology and nanotechnology. Special attention will be paid to accessibility issues, to improve communication and logistics in the region. For example, the SITO logistics centre should be strengthened, and is encouraged to become a supplier centre to Peugeot, Renault, and other European regions.

There are two interesting pieces of legislation: the Research Act and the Industrial Policy Act, which is a legislative tool incorporating all previous ones, and giving the regional government the responsibility for action, using one single fund to support all objectives.

The final tool presented by Mr. Benedetto was the revision of activities of Finpiemonte to adjust to new society news and new policies on R&D. The role of the agency should be more incisive and effective, more proactive in the future.

Mr. Giorgio d'Andrea, representative of the Council for Industry and Labour of the Aosta Valley region, presented three tools for the financing of innovative companies.

The first, Act 84/1993, aims at new products and production processes and

will soon be reviewed in accordance with the European legislation. Beneficiaries are manufacturing firms with at least 10 employees or consortia of micro-enterprises to reach 10 employees as well as research centres. Activities allowed are the development of pre-competitive activities, and industrial research implemented in the Aosta Valley, for a minimum of 12 months and a maximum of 5 years. Results of the R&D research should at least partially be used in the region. The selection of these projects is made by a technical committee, which takes the decision within maximum 120 days. For the period 2004 to 2006, there have been 17 applications, for a total of 13.5 million €.

Second is the Quality Management Systems under Act 31/2001, aiming at safety, and social responsibility. All SME sectors of the Aosta Valley are concerned. The grants can be used for feasibility studies, implementation or certification procedures. For the period 2003/2005, 268 projects were financed for a total of 900.000€. The Technological Innovations act 6/2003 concerns manufacturing and handicraft firms, and also those that are left out by the already mentioned act 84/1993.

Examples of the promotion of entrepreneurs in the region through the operation of incubators were presented by different speakers.

Mr. **Michele Patrissi** representative of the **Polytechnic University of Turin** presented the not-for-profit incubator. This incubator was established in 1999 to promote spin-off enterprises and thus the creation of innovative companies that can benefit from the Polytechnic Labs. Therefore although the academic world is one of the focuses of this incubator, it is not the only one. 36 companies are currently hosted. The incubation period is maximum 3 years. The main goals are to help researchers become entrepreneurs and promote the culture of entrepreneurship, inside and outside of companies.

Mr. **Paolo Anselmo**, from **Centro Sviluppato Aosta** presented the incubation experience of Aosta, with two incubators

operating there (Aosta and Pont Saint Martin). Mr. Anselmo asserted that there are no more profit-oriented incubators in Italy, and that therefore incubators are part of the services provided by regional authorities and agencies to the local entrepreneurs.

The rotation index of these incubators is 5 years. In fact this is a function of the growth rate of the incubatee companies. These two incubators can share technologies such as voice over IP.

The Aosta Valley is a fully equipped industrial space. It is close to performing infrastructures. It offers its clients a package of grants and borrowing instruments, as well as more traditional services such as ICT and other support services.

The incubator of Pont-Saint-Martin provides the same services to its entrepreneurs.

In order to make incubators attractive, cooperation agreements and networking mechanisms with Universities, business schools, public and private companies and media partners are developed. Some of the future plans for these incubators include: integration with the ICT system and thinking in terms of cluster; pre-incubation services (lower the costs of starting an idea, use of smaller spaces), post incubation services (importance of being located in industrial areas, after care services).

Mr. **Andrea Pallais, from Centro Svilupp**o as well, then completed Mr. Anselmo's presentation on the incubators by presenting the technical services provided by Centro Svilupp. He also illustrated the link between the regional financing company FinAosta (assessment of the application), Centro Svilupp (management of 2 incubators and regional development agency) and the regional infrastructure (industrial area).

The discussion was then oriented on another type of regional infrastructure in favour of innovative SMEs, that is technology parks. Mr. **Roberto Guazzetti, from Tecnorete Piemonte**, presented science parks that are a response to the lack of communication between the different regional support agencies. There are currently 7 science parks in the region.

Tecnorete is a consortium of these 7 science parks; it was created in 1997 and became not-for-profit in 2002. It enables the different structures to share information on companies and best practices, and favours technology transfer. Propositions for the regional challenge of SME finance, the theme of this FinNetSME seminar from Mr. Guazzetti could be as follows:

- financing sources should be diversified;
- Tecnorete should undertake different roles, such as team leader, partners...
- Tecnorete should also have different functions, such as clear technology transfer services.

Some of the future objectives include: opening up to Europe; improve tools and enlarge the concept of innovation; increase the link with SMEs and Research Centres. In short, Tecnorete can really act as an interface between the science parks and the other support services of the region, and beyond.

The final speaker of the morning session was **Ms. Barbara Fontana, from Finaosta**, about the Aosta Valley Industrial Park "Espace Aosta", and its seed and venture capital instruments.

Mrs. Fontana first explained the birth of the projects in the 1990's, whose objective was the reconversion of industrial settlements, the development of new infrastructures, and the link with the population. Finaosta was therefore going to work on the attraction of investors and the attraction of clients and companies to the region. It provided companies with a financial product mix like grants, equity and support services delivered by partner companies (factoring, support to Centro Svilupp for incubation services ...). One of the financial instruments developed by Finaosta is a venture capital fund, investing in start-up and development phases of innovative enterprises, from 30.000 to 100.000€, against a minority share. The maximum duration of the investment is 5 years. The minority holding owned by the fund must be bought back by the company within the time limit of 5 years.

Finaosta also provides loans, from 50.000€ to 300.000€ for a period of 5 years (+2 years for the conclusion of

technical and administrative matters). The interest rate for these loans is fixed at 0.5%, with a variable linked to financial trends up to 2%. Projects polluting the environment are not accepted.

The afternoon session was focused on the topics: revolving funds, and incentives for local public initiatives.

Mr. Giorgio Diquattro, from Finpiemonte, a mixed capital company founded in 1977, presented the revolving funds managed by Finpiemonte since 1996. Until 1996, a 46.5 million € fund focused on the investment in technological innovation and the purchase of technologies, with a special focus on the environment. Another revolving fund was set up for the period 1997-1999 to replicate the success. The third fund was set up for the period 2000-2006, with a total of 356 million€, and is invested in 12 schemes (internationalisation, financial engineering ...). Finpiemonte managed a total of 1 billion € in 2005, 30% of which were EU funds, and the remaining 70% were regional monies.

Mr. Diquattro explained that according to him, there are two main advantages in providing money to companies through revolving funds, rather than through grants.

The first is that revolving funds allow for the re-circulation of money, and therefore the financing of new projects; whereas the money from the grant disappears, revolving funds stay in the region.

Secondly these schemes present advantages for the SMEs as well: the money is given before the enterprise has to invest, therefore it saves costs for the entrepreneur; the cost of the money can be abated; there are no interest charges on the fund (the average number of years to pay back is 5 years).

In general, the fund accounts for 50% of the financing at an interest rate 0 %, the other 50% are provided through a bank loan at a market interest rate of for example 4.07 % leading to a preferred interest rate for the total financing at a mixed rate of 2.035%.

Finpiemonte also provides microcredit to SMEs – this will become one of the major axis of development for the agency in the next years. The maximum amount lent to

entrepreneurs is very small, around 15.000 €. The aim is to help companies until they leverage higher amounts, and replace the guarantees/collateral that they do not have.

This presentation on financial instruments available in the Aosta Valley was completed by Mr. **Francesco Fionda, from the Aosta Valley Region**.

He presented how the support to the manufacturing and handicraft sector under law 56/2003 promotes development and internationalisation services for companies based in the Aosta Valley. The financial tools proposed to these companies are grants, subsidised loans, convertible loans and guarantees. The contribution of the SME must be of at least 25% of the total amount. There are two procedures for the selection of eligible SMEs, one a simplified procedure for amounts below 50.000€, and a technical-economic evaluation for the projects requiring over 50.000€.

Other financial support schemes are *Soft loans*, provided through revolving funds, which are run by the regional public bank Finaosta, *Convertible loans*, available for a minimum of 150.000€ and a maximum of 1 million€. The redemption period is up to 5 years, with a floating interest rate; *Guarantees*, the minimum guarantees is 50.000€, maximum is 200.000€. The maximum duration is 10 years and support for market studies, presence at international fairs, international advertising of projects with financial support from 1.500€ to 50.000€. Mr. Fionda concluded that grants still have a large impact on company investment, and SMEs still prefer grants to other sources of finance.

The seminar concluded with a presentation of SINLOC – **Sistema Iniziative Locali S.p.A** by Mr. **Antonio Rigon**. Mr. Rigon first presented the results of a Promotea study on finance and development saying that:

- Finance and development are very strongly linked, especially in deprived areas.
- Banks are reacting in a very different way to the Basel II regulations, from concentration in the UK to downsizing in France. The banking sector is still

very critical to support the development of SMEs.

- The measurement of SME segmentation on the European market is very complex, which should not only be based on sales.
- Banking systems are converging at the moment: there is a trend towards integrated networks of local banks, and towards the creation of larger banking groups. In Italy, there is an important network of independent regional banks, not well connected.

SINLOC helps to develop public-private partnerships and to finance projects. It acts as an interface between the actors that are involved in the creation of new innovative enterprises and offers high-quality services, from financial advisory to equity investment.

Mr. Rigon presented a case study of a biotechnology school set up thanks to SINLOC. The total budget of this project was 20 million euros, for a school of 8000 students and 100 researchers which will open in September 2006. Sponsors of this project include the Chamber of Commerce, Finpiemonte, professional and

private companies, and the University of Torino who saw the opportunity to use these new premises and collaborate with students and researchers.

A tender procedure is of course organised each time to select the sponsors of the project and the company managing the project.

The major advantages of using the SINLOC system are:

- building a project with no debt, no solvency problems;
- no sequential financing, so the project is built as a whole;
- Total control over the building of the facility;
- Providing a framework for PPP which local authorities do not have the knowledge to arrange;
- Making sure that the collaboration between the partners continues over the long term, and provides support to resolve eventual disputes.

All presentations from the event are available on the project website www.finnetsme.org

Invitation to the upcoming seminar in Kainuu, Finland "Financial Engineering"

Finland is having the chairmanship of the European Union till the end of year 2006. Although the weather conditions can change very rapidly in the north, we are happy to host and guarantee a content-wise hot FinNetSME conference in October.

The conference will include for example the following presentations:

- **Mr. Sauli Niinistö the Vice President of European Investment Bank** will present how the European Investment Bank and Fund is supporting the regional financing operations;
- Financing Services to Finnish Businesses and Funding for Technology and Innovations will be presented by **Finnvera Ltd.** and **Finnish Funding Agency for Technology and Innovation (TEKES)**
- Introduction of the Regional Supply Chain and the way EU programmes could reinforce it will be presented by the **EURADA** – The Association of Regional Development Agencies
- EU structural Funds for Financial Engineering will be presented by a representative from **DG Regio**
- The contribution of the CIP to the equity market will be presented by **DG Enterprise and Industry** and **SITRA**, The Finnish National Fund for Research and Development.
- The 7th RTD Framework Programme, Risk Sharing Finance Facility will be presented by **DG Research**.

You are warmly welcome to join us on this occasion! More details about the conference and the side programme will be available soon at www.kainuunetu.fi

Contact:

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Berlin Start – a new partnership for financing start-ups and young enterprises



Investitionsbank Berlin (IBB) – the regional development bank of the Land Berlin and FinNetSME partner – is implementing its new strategy with the start of three new programmes in 2006 for Berlin-based SMEs. The traditional grant-based promotion of the local economy is being reduced in favour of more revolving loan, mezzanine or venture capital instruments focussing on the access to finance for SMEs. Berlin Start, the first of the so-called “Berlin Family” product line introduced by IBB, offers small and micro loans of up to 100.000 EUR to business start-ups and young enterprises that exist up to three years. The loans have competitive interest rates and can be used for investments and working capital.

Despite a shrinking economy and an above-average unemployment rate, Berlin has one of the most dynamic self-employment rates in Germany. Start-ups are a key source of employment, growth and innovation. Berlin’s economy is dominated by small companies; more than 80% of the enterprises in Berlin have less than 10 employees. However, most banks are increasingly reluctant to provide small and very small loans to SMEs and in particular start-ups because of the high risks and administration costs involved. Start-ups and young businesses often lack collateral and have a low or no equity capital base.

As a new approach, Berlin Start is based on a cooperation between IBB, commercial banks and the regional guarantee agency (BBB Bürgschaftsbank Berlin-Brandenburg). While IBB as a public guaranteed bank can provide cheaper refinancing, the guarantee agency takes up to 80% of the risk. The loans are delivered directly by the customer’s bank which takes the remaining 20% risk.

The advantages for the partner banks are competitive margins and reduced liabilities while the refinancing savings will be forwarded to the customer. Banks and their customers also profit from an integrated application procedure. The entrepreneur completes an integrated application form for both loan and guarantee which is then forwarded by his bank to IBB. IBB checks the eligibility and forwards it to the guarantee agency. In case of approval, a guarantee diploma is issued and the payment by IBB to the partner bank is initiated. The duration from the day of application to the delivery of the loan shall not be longer than ten days.

With Berlin Kredit, the second new programme, IBB offers promotional loans of up to 5 Mio. EUR to SMEs through a cooperation with the KfW – the federal development bank in Germany – using again the commercial banks for distribution. Finally, Berlin Kapital is expected to start in summer this year and provide equity finance to SMEs that are not yet covered by the existing technology-oriented VC-Fund at IBB.

For more information, please contact:

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New financial tool for the companies of Castilla y León

The Lisbon Meeting of 2000 stressed the need to implement adequate finance policies. In accordance with that advice, the main regional institutions of the region signed a Blanket Agreement on Competitiveness and Industrial Innovation for Castilla y León last year. One of the main points of this Agreement was the creation of a financial tool to look for the cooperation and complementing the regional finance market in order to improve the effectiveness of the financial tools of the region.

Additionally, one of the conclusions of the Sectorial Table of Finance included in the Competitiveness Forum of Castilla y León recommended the creation of a public financial tool, so as to give an answer for the financial necessities of our region.

After a rigorous analysis of the financing necessities of the SMEs of the region, and studying some actual models in Spain and other countries, the proposed model has two main aspects:

- Creation of a parent company: it will be a public limited company that will serve as an umbrella for the existing tools and will introduce some new ones. Its aim will be to study the financing necessities, design new programs, coordinate the current instruments, promote the creation of new tools and control their effectiveness.
- “Iberaval SGR Mutual Guarantee Co.” and “Sodical SCR Risk Capital Co.”: these two companies will have a ground paper providing equity and private resources. Their financial programs will be reinforced.

The creation of this institution has been approved by the Regional Law 13/2005 of Financial Measures recently. The chosen name is “ADE Financiación, S.A.” (ADE Finance) and the purposes of this company are to:

“Design, development and implement programs and performances of financial support to the regional companies, and helping:

- The creation of new enterprises;
- The expansion of the existing ones;
- Their technological development;
- Their competitiveness;
- Their viability.”

For more information, please contact José Miguel Hernandez Planas, herplajo@jcyL.es

Note: Since January 2006, the name of the Agencia de Desarrollo Económico de Castilla y León changed into “AGENCIA DE INVERSIONES Y SERVICIOS OF CASTILLA Y LEÓN” (Agency for Investments and Services of Castilla y León). The new acronym of the Agencia de Inversiones y Servicios de Castilla y León is “ADE Inversiones y Servicios” (ADE Investments and Services), and the new logo is:



FinNetSME presents the Encouragement Bank of Bulgaria

The Encouragement Bank (EB) became Associated Partner in March 2005. Readers will find below a presentation of their activities.

The **Encouragement Bank (EB)** has established contacts with EU institutions of similar tasks and objectives, providing access to best financing practices for SMEs and successful ways of employing public support structures for SMEs. In addition, along with the intensive exchange between regional public financiers, EB signed a framework cooperation agreement with the North-Rhine Westphalia bank (NRW) in January 2006 and became a member of the European association of public banks in 2005. The topics covered by the FinNetSME project are particularly relevant for Bulgaria in view of its forthcoming accession to the European Union in 2007, when the country shall focus on creating favorable conditions for improving the access to financing for SMEs, defined as one of the crucial factors for fostering of the economic growth through increasing of the competitiveness of the Bulgarian economy. Moreover, the exchange of know-how on the most effective utilization of limited public sources will be a reliable source for policy makers and financials enabling them to follow the best development practices and models while implementing prudence, efficiency and transparency criteria.

From a historical point of view, EB operates on the SME lending market since its establishment in 1999. The bank is referred to as the special-purpose-vehicle of the Bulgarian state, as its mission is to provide financing on market niches, considered to be too risky and or-non profitable by the traditional commercial banks, such as SME lending and long-term investment financing. The bank is

called upon to support also the export capacity of the country and to provide the necessary private co-financing under projects, approved for financing under the EU pre-accession programs (Phare and

SAPARD). Some of the highlights of the Bank's activity could be found below:

- Established in 1999 as a fully state-owned institution (99.997% shareholding of the Ministry of Finance)
- Services the development objectives of the Bulgarian economy
- Subscribed capital as of 2005: EUR 15,121 (following two capital injections in 2001 and 2003)
- Mission of Encouragement Bank: provision of long-term investment financing for SMEs and promotion of the Bulgarian export
- Share of long-term loans (above 3 years) in total loan portfolio: 63% (2005)
- Share of SME loans in total loan portfolio: 100% (2005)
- More than 5,600 jobs created and preserved

The pursuit of the objectives of Encouragement bank AD was made possible with the valuable support of our international partners: the European investment bank (EUR 10 mio credit line), the Council of Europe Development Bank (EUR 15 mio credit line), Nordic Investment bank (EUR 10 mio credit line), KfW (trust management of EUR 3.7 mio), EIF (EUR 21 guarantee facility). Encouragement bank AD is the first selected intermediary under the SME Finance facility of the EIB and EC and the SME guarantee facility of the EC for Bulgaria.

In line with its objective to act under the principle of "additionality" to the other banking market players, Encouragement bank and the Bulgarian state have undertaken a project for the restructuring of the Bank into a Development bank group (including development bank, EXIM Company, guarantee fund, venture capital fund and other specialized funds). Such a financial institution does not exist in present in Bulgaria and its establishment is justified by the importance of improving access to finance for the development of SMEs, in particular for start-ups and

micro-enterprises, through technical assistance, grants, as well as non-grant instruments such as loans, equity, venture capital and guarantees. The future financial group will follow the best EU practices with proven efficiency, transparency, public operation, market compatibility and state-aid compliance. In drafting the basic strategic documents, Encouragement bank AD has used the expertise of institutions, involved in FinNetSME network, and, in the implementation of its restructuring will further rely on the “inventory of existing

good practices in SME finance”, provided within the framework of Fin Net SME, thus spreading and interacting the necessary know-how and practical solutions for bridging the existing market gaps in SME finance in Bulgaria.

For more information, contact:

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E: boyanova.a@nasbank.bg

Interested? - How to Become an Associated Partner

PLEASE COMPLETE THIS FORM IN BLOCK LETTERS AND SUBMIT IT IN BOTH ELECTRONIC AND PAPER VERSION TO:

Electronic version: FinNetSME@sab.sachsen.de

Paper version: Sächsische Aufbaubank – Förderbank –
State Development Bank of Saxony
Peter Flath
Pirnaische Straße 9
D-01069 Dresden
Germany

For further inquiries, please contact:

Peter Flath	Melanie Görden
Project Manager	Project Assistant
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Conditions for an Associate Partnership of FinNetSME:

- Structure and aims similar to those of the formal network partners;
 - Structure: Owned, run or mandated by a public authority
 - Aims: Contribution to regional development via promotion of SMEs
- Ability and willingness to make an essential contribution to the network objectives;
 - Objectives:
 - Improvement of access to finance for SME
 - Closure of the equity gap
 - Promotion of entrepreneurship
 - Reduction of unemployment
 - Contribution to regional economic development
 - Sub-Objectives:
 - Collection and assessment of existing regional finance practices
 - Development of innovative models for regional SME finance
 - Raise of awareness for importance of public SME support
- Acceptance of the duties and rights (see below).

Rights of an Associate Partner:

- Participation in the seminars and, upon special invitation, in the workshops;
- Direct access to information (e.g. to the database of best practices);
- Provision of a forum (e.g. via the newsletters, links from the project website).

Duties of an Associate Partner:

- To bear own costs for the participation in the network events;
- Contribution of best practice examples to the database (see annex for structure);
- Contribution of newsletter articles, including on the relevance of the new Associate Partner to the partnership and to the network results.

CONTACT DETAILS

Full title of the institution in original language:

Title of the institution in English translation:

Acronym / short title of the institution:

Address:

Postal code:

Town:

Country:

Region:

Contact Person:

Phone: (Please include country code)

Fax: (Please include country code)

E-Mail:

Website:

PROFILE

Brief description of the institution's structure (incl. legal status [e.g. public / public equivalent / public-private / private] and role of the public sector in the activity of the institution [e.g. founder, shareholder, funds provider, subsidy provider]):

Brief description of the institution's activity profile (objectives, services provided):

Geographical area of action (if possible, indicate NUTS level):

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Please explain what you expect to benefit from an Associate Partnership of FinNetSME:

Please explain what you want to contribute to FinNetSME as an Associate Partner
(Specify your expertise, competencies and specific know-how in the field of SME promotion):

How have you learned about this project and the option of an Associate Partnership?

STATUTES

By signing this application form, I/we confirm that

- The above information is true and correct;
- I/we understand and accept the duties and rights linked with an Associate Partnership of FinNetSME, as stipulated above.

Name, Title and Position of Signatory:

--

Place, Date:

--

Signature and Stamp:

--

Contact Information

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