



- NEWSLETTER N° 7, NOVEMBER 2007 -

FinNetSME – Network for Regional SME Finance

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*The developed models and the
electronic version of the project guide
'FinNetSME - Experiences and
Practices' now available at
www.finnetsme.org*



Editorial

The FinNetSME Project comes to an end. So, you have in hands the last issue of the FinNetSME newsletter.

Beside the human value of a cross-border project, the FinNetSME Project has highlighted the different approaches developed by 20 partners in order to provide public answers to the needs of SMEs in the field of access to finance. At the end of the day, we all recognize that good tools must be tailored to the regional environment and be managed by professional teams.

A project like FinNetSME ends with a lot of new issues linked to the topics analysed. It has indeed appeared that further exchanges of experience are welcome in areas such as:

- improved demand for finance formulated by SMEs
- new ways / tools to finance innovative start-ups
- enhancing public/private partnership to create or support financial instruments in favour of SMEs.

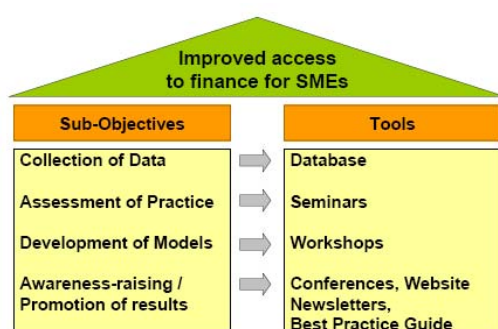
Let's hope that the end of the current FinNetSME Project will only be the start of a new venture.

Enjoy your reading!

Christian SAUBLENS
Executive Manager of EURADA

About the FinNetSME Project

Small and Medium Size Enterprises (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. The markets do not always respond sufficiently to the finance needs of SMEs, particularly in the economically less developed regions. The issue of insufficient access to finance was the starting point of FinNetSME. Its objectives and tools are described in the graph below.



Now, after 3.5 years of work, the project is going to end on 31 December 2007. The Final Conference of FinNetSME took already place on 6 June 2007 in Brussels. About 150 people attended the event in order to learn more about the final results of the project and to discuss about financing issues with high-level representatives from the European Commission and the EIB such as Mr Dirk Ahner, General Director of DG Regional Policy and Mr Matthias Kollatz-Ahnen, Vice President of the EIB.

Starting with 20 project partners FinNetSME aimed to build a platform for public regional financiers to help them develop common regional tools and strategies promoting SMEs access to finance. The project sought to establish a sustainable exchange of know how between public SME financiers and to transfer the best practices gathered from the regional to the European level.

This goal was fully achieved, be it in the framework of the daily cooperation between the network partners or on occasion of workshops and seminars. The

latter gave opportunity to analyse existing financial instruments and to assess successful or less successful approaches in persona. Conferences, the newsletter and participating in interregional events and fairs were the channels chosen to transport FinNetSME findings and achievements to the public. Regional authorities were involved in the project work throughout the entire project duration ensuring the visibility of new approaches to policy makers.

A major lesson learnt was to acknowledge the flexibility that is needed in the regions and across regional borders in finding solutions to similar problems. Europe's regions are diverse in their economic assets, their legal set-ups and their cultural traditions. This fact is mirrored in the different challenges SMEs face in growing and in accessing finance and other business support measures. SME support has to correspond to these special circumstances and to respond to the different enterprise needs. That calls for tailor-made solutions – single and simple answers are not to be found.

Five innovative financial models and one model supply chain have been developed by FinNetSME. They integrate the partners' know-how on working solutions and serve to convey the partners' know-how to other European regions as guidance for the development of new business support approaches. On this basis, policy makers and institutions supporting SMEs are enabled to develop innovative and workable solutions to the promotion of SMEs.

Financial models based on FinNetSME ideas have already been implemented successfully in some regions, as can be seen from the example of the Mortgage and Land Bank of Latvia. Based on the ideas of FinNetSME, they launched the 'Obligatory pre-loan coaching' in December 2006. It is co-financed by the European Social Fund and provides training, micro-loans and grants to promising business start-ups. The programme is one of the

good examples to be found in the FinNetSME database. This is to be seen as just the first step to implement the achievements of the INTERREG IIIC project.

Additional information, the project main tool, its database, the newsletters and the

project guide 'FinNetSME Experiences And Practices' are available at: www.finnetsme.org or email to finnetsme@sab.sachsen.de.

The FinNetSME Partnership

| Organisation | Country |
|--|-----------|
| Sächsische Aufbaubank - Förderbank - (SAB) | Germany |
| Finanziaria Laziale di Sviluppo (FILAS) | Italy |
| ADE Financiación | Spain |
| Investitionsbank Schleswig-Holstein | Germany |
| Thermokitida Neon Epichiriseon Chanion | Greece |
| NRW.Bank | Germany |
| Gepafin Spa | Italy |
| Fundación Comunidad Valenciana – Región Europea | Spain |
| 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 |
| The Autonomous Region Aosta Valley | Italy |
| 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 |

Aosta Valley – How a Region has benefited from FinNetSME

The Direction of productive activities and co-operation of the Autonomous Region Aosta Valley is a regional public authority. The authority manages, monitors and controls regional laws that provide industrial and handicraft firms located in the region with financial aids and consultancy services.

In particular, the Region provides industrial and handicraft SMEs with loans, grants and guarantees in order to co-finance investment projects and internationalization programmes (participation to international fairs and marketing researches).

Concerning consultancy services, regional administration, also through its controlled development agencies, provides SMEs with advisory support and grants in order to improve and strengthen the entrepreneurial culture and the managerial skills in evaluating business opportunities.

The participation in the FinNetSME network has been useful in order to exchange working experiences, to learn from existing regional good practices, to enhance and improve knowledge in the area of access to regional finance to SMEs: in particular, the exchange of know-how between the EU partners of the network has given an effective contribution to create the basis for an improvement and a modernisation of the regional policies enhancing access to finance for SMEs.

Also thanks to the know-how acquired during FinNetSME project and the exchange of best practices with partners, we have improved rules and procedures related to regional revolving Funds, co-financed by ERDF and aimed to financially support SMEs investment projects.

Nordrhein-Westphalen

NRW.BANK – Germany's largest regional development bank – entered the FinNetSME Partnership with a clear aim:

To learn about the state-of-the-art in European SME financing and to contribute to the development of innovative financing products by bringing in years of experience in the field of financial promotion.

In the course of the project NRW.BANK expanded its knowledge on the innovative use of EU-Structural funds via financial engineering. Thus ideas that were discussed in the 4 working-groups coordinated by NRW.BANK found their way into the Bank's product development activities such as the necessity of the combination of financing and consultancy especially in the field of start-up-financing.

Besides model development and best-practice-examples there is one other achievement that will have a strong impact on NRW.BANK's future activities: The constant dialogue with colleagues from all over Europe created not only a better understanding but also a close network of expertise and experience. A network that will last even after the project FinNetSME has ended.

MBL – Latvia

It should be noted that MBL decided to participate in the project "FinNetSME" just shortly after Latvia had joined the EU. For this reason, participation in the network supported by INTERREG IIIC, was a new experience and challenge meanwhile.

During last three years the bank has expanded considerably in both terms of growth and diversity of its activities. In 2006 the government of Latvia approved the concept of further development of MBL, stating that in coming years bank shall become a full spectrum promotional bank.

To fulfil this aim, new promotional programmes have been launched recently and by designing and developing promotional instruments also experience and expertise of FinNetSME partners has been considered carefully.

During the first two years of FinNetSME the bank as a project partner took part in project working group devoted to elaboration of micro-finance schemes. MBL shared among the partners its own experience in launching a business start-up loan programme in which both ERDF (as a revolving fund) and EIF (as counter-guarantees) means are involved. In its return, lot of useful information was gathered about partners' experience in implementing different kind of micro-credit schemes, including guarantee instruments, in Germany, Finland, and Spain.

In the final stage of the project MBL was more involved in partners' activities related with identification of examples of combining both financial and non-financial instruments for development of start-ups. In parallel to discussions inside the project working groups, recently the bank itself had elaborated a new programme co-financed by ESF) combining training, consultancy and financial support (micro-loans, grants). We should be proud that this new programme has been positively evaluated amongst the partners and has been highlighted in the project dissemination activities (the final conference, best practice guide "Experiences And Practices".

Participation in the network "FinNetSME" has given us not only the opportunity to gather lot of useful information about different kind of solutions in financing and otherwise assisting SME's, but also gave a unique chance to meet people from different institutions from different countries and regions. Indifferent, whether the project would have a continuation or not, we are sure that contacts with FinNetSME partners will be kept also in future.

The Incubator of Chania

During the years 2004-2007 the FinNetSME network was established with the participation among others of the Incubator of Chania. During this period we had the chance to work together with many well experienced European partners from various regions of EU, facing different challenges and promoting different policies. The Incubator of Chania and Particularly Mrs Maria PERAKAKI had actively

participated in various meetings, working together in small teams with other partner organizations, trying to develop common policies to the more or less common problems that many EU regions face. New financial tools for supporting the SMEs in Europe were commonly developed and hopefully many of them will be promoted and used in the future. Our participation in the network offered us many positive experiences, and we have learned a lot from the problems that other regions face and the solutions that they promote. Also we had hosted a project meeting in Chania-Crete and we had the chance to discuss locally the various financing problems that our SMEs face, as well as various policies which should be promoted in the future on a local and regional level. We should like to thank all the partners and particularly the lead partner of the FINNETSME network for the creative and fruitful cooperation and the positive experiences that we had the last three years, and we will be very happy to continue such a cooperation in the near future.

ADE Financiación

Three years after the Kick-off Conference in Brussels in November 2004, several changes have been produced in the region regarding the financial support for companies. These changes are an answer of the demands of the companies and agree on FinNetSME conclusions.

The main change is the creation of a new public company, ADE Financiación, which aim is to design, develop and execute programs and performances of financial support for the companies in the region. ADE Financiación is going to manage some venture capital funds with public and private investors, participative loans, specific guarantee funds, a regional refinancing system and specific financial programmes for SMEs such as the promotion of regional corporations. Besides, a Business Angels Network *Bancal* has been created in the region to complete the supply of finance.

FinNetSME has played a key role in the definition of some different products for ADE Financiación. We had collected lot of information from other regions abroad

Spain thanks to the information gathered in the FinNetSME Database and from the exchange of information through the Working Groups that helped us to define activities, products, legal structure and other different issues.

The informal contacts are other important consequence derived from the network. Up to this moment we have had some contacts

with other three regions members of the project. We have shared information of our local companies and have searched for partners in the regions involved. Probably FinNetSME Network will be an important contribution for the European construction.

FinNetSME presents results at international micro finance conference

Under the patronage of the Federal President of Germany, Horst Köhler, the 4th Annual Conference of the European Microfinance Network (EMN) was held from 25th to 27th of April 2007 in Berlin. The conference brought together 300 participants, practitioners, bankers, researchers, investors, local government representatives, the European Commission representatives, policy makers, central bankers, private sector and the media.

FinNetSME has been represented by Thomas Hüttich of Investitionsbank Berlin (IBB), who presented the results of the working group on micro finance during the workshop "Development banks: SME financing or micro finance?". Together with speakers from the KfW and the EBRD, experiences have been shared on how development banks in Europe have tried to respond to the financial needs of micro enterprises, how they have adapted their strategies and what their recommendations are for the development of the sector.

Of particular interest has been the experience and know-how of many FinNetSME members in the field of financial engineering with EU-Structural Funds money. Further information concerning the event please find on http://www.european-microfinance.org/conference_berlin_en.php

Investitionsbank Berlin introduces easier access to micro-credits

The FinNetSME partner Investitionsbank Berlin (IBB) has introduced a new micro-credit facility increasing its commitment to finance very small amounts of loans and supporting the creation of new jobs. Within the existing ERDF-cofinanced "SME-Fund", micro-credits up to 10 TEUR with a maturity of up to five years can now be accessed through a lean and fast application and assessment procedure.

In the framework of a pilot project, small enterprises and business start-ups are not obliged to prepare a detailed business plan with [liquidity planning](#) and profitability forecast for loans up to 10 TEUR. The provision of collateral is not a prerequisite for a positive loan decision. Instead, besides a structured application form with questions about product, market and qualifications, the focus of the assessment process is a personal interview and the evidence of entrepreneurial skills. The credit assessment is supported by a tailor-made quick-check-tool.

The scheme and particularly the default rates will be evaluated yearly in order to decide on the continuation and possible amendments.

SME Loan Fund in Saxony-Anhalt

For the funding period 2007-2013 Investitionsbank Sachsen-Anhalt (IB), the central Development Bank, and the Ministry of Economy of the Federal State of Saxony-Anhalt, Germany, are implementing a loan fund to finance SMEs. One major goal of the fund is to facilitate the access to finance for SMEs by providing financial means for a wide scope of activities. Findings of the FinNetSME – INTERREG project have been of great use when creating this loan fund.

The revolving fund has a total volume of around €237m and is co-financed by EU Structural Fund ERDF. First loans will be available in the beginning of 2008.

Detailed information on funding opportunities will be available in mid-November 2007 on the IB-website www.ib-sachsen-anhalt.de .

ESF Micro-Finance Programme in Saxony

Micro-lending, though mainly associated with developing countries, became of major interest in the EU during the last years. Facilitating access to small amounts (usually below 25,000 €) these credits are a valuable tool to support especially micro to small enterprises.

The role of micro-credit in promoting entrepreneurship and its effects on social inclusion was the title of a workshop, taking place at the Open Days on 9 October 2007 and giving opportunity to present and discuss currently existing support models in this field of enterprise promotion in the EU regions.

Many other regions in Europe, as well as Saxony made first experiences with micro-lending during the last year.

The workshop built occasion for Mr. Rainer Irmen, Member of the Board of State Development Bank of Saxony (SAB), to present the approach as well as first results of the ESF Micro-finance programme, offered by SAB since February 2006.

The scheme supports SMEs with loans up to 20,000 € during their first three years after the enterprise-setup. The money is lent for a term of 5 years with a fixed interest rate of EU-reference rate+1%.

During the first 18 month of the programme 495 micro loans have been approved with a total volume of 7.1 m €. This means an average of 14,000 € per applicant. About 60 % of the approved projects were started to overcome unemployment. 926 new jobs have been created or safeguarded. The default rate after 18 months amounts to 5% which is maybe not representative yet. Since the larger part of the target group consists of people without extensive commercial or financial knowledge the non financial efforts (supporting and advising) are high. Thus strong cooperation with chambers and other experts as add-ons have proven to be good working tools.

The high demand for micro-credit during the last two years is evidence that we are on the right track.

Contact Information

Newsletter Coordination

EURADA – European Association of Development Agencies

Christian SAUBLENS
12, Avenue des Arts, Bte 7
B-1210 Brussels

T: +32 2 218 43 13

F: +32 2 218 45 83

E: christian.saublens@eurada.org

W: www.eurada.org

Project Coordination

SAB Sächsische Aufbaubank - Förderbank - (State Development Bank of Saxony)

Pirnaische Straße 9
D-01069 Dresden

Peter Flath

Project Coordinator

T: +49 351 4910-4080

F: +49 351 4910-4085

Melanie Görden

Financial Manager / Project Assistant

T: +49 351 4910-4086

F: +49 351 4910-4085

E: FinNetSME@sab.sachsen.de

Project Website

www.finnetsme.org