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FinNetSME – Network for Regional SME Finance

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**CALENDAR OF NETWORK EVENTS**

Date	Theme	Venue
25 January 2007	5 <sup>th</sup> Thematic seminar, Entrepreneurial innovation, policies and clusters/Validation seminar	Rome, Italy
6 June 2007	Final Conference	Brussels, Belgium



*The database of regional financial tools is open to the public, and available at [www.finnetsme.org](http://www.finnetsme.org)*

## Editorial

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Since the last publication of the FinNetSME newsletter in June 2006, the following has taken place in the network:

- the 4<sup>th</sup> thematic seminar on financial engineering was held on 27 October in Vuokatti (Finland). The seminar was hosted by Kainuun Etu Oy, the regional development agency of the Kainuu region. More than 70 participants attended the seminar, during which the financing instruments of organisations such as the European Investment Bank, Finnvera, Tekes, SITRA and the Finnish Industry Investment Ltd. were presented.
- a joint workshop of the FinNetSME project and RUISNET, the Regional University Industry Strategies Network, was organised with the aim of promoting the collaboration between universities and businesses.
- the FinNetSME project was presented during EUREGIA, the fair for local and regional development in Europe that took place in Leipzig (Germany) from 23 to 25 October 2006. Of particular interest to participants was the workshop on Interregional Cooperation, in which took part Mr. Walther Stökl, INTERREG IIIC Managing Authority. The workshop attracted over 150 participants.

In this edition readers are presented with the new micro-credit programme launched by the Ministry of Economy of Lithuania and managed by INVEGA.

Readers are also provided with information about the new projects and instruments developed by Filas (Italy) in order to foster innovation and implement the Lisbon strategy, as well as with an article on financing social enterprises in Europe.

You are warmly invited to attend the network's upcoming seminar on entrepreneurial innovation, policies and clusters, which will take place in Rome (Italy) on 25 January 2007 (for more details, see page 16).

Enjoy your reading!

## About the FinNetSME Project

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***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 9 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 network 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 Agreement, 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:

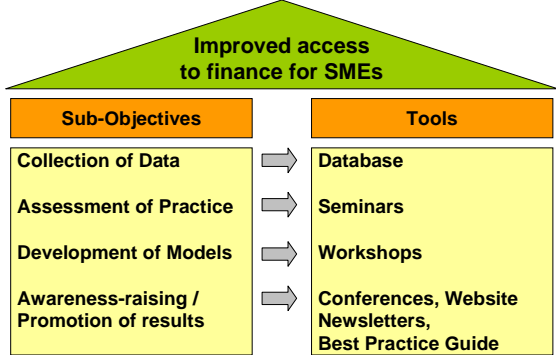
- Collection of data on regional finance
- Assessment of existing regional practices
- Development of models for regional finance
- Raise of awareness for value of public SME support

### **Project Tools**

A database comprising publicly supported regional financing instruments has been set up and fed with good practice examples by the partners and associated partners during the whole project time.

The project website [www.finnetsme.org](http://www.finnetsme.org) is open to all interested parties 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. Four of these events have successfully taken place: "The Role of Regional Financiers in the EU" in Vilnius (Lithuania); "The Regional Supply Chain" in Halkidiki (Greece); "Challenges for Regional Finance" in Turin (Italy); and "Financial Engineering" in Vuokatti (Finland). This last seminar will be followed by a "Validation" event to be held in January 2007 in Rome (I).

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 June 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

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

## Report on the network's 4th thematic seminar on financial engineering

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The fourth thematic FinNetSME seminar themed "Financial Engineering" was kindly organised and hosted by Kainuun Etu Oy and took place on 27 October 2006 in Vuokatti, in the Kainuu Region (Finland). More than 70 participants attended the seminar to learn more from seven experts about the financing facilities driving Finnish economy.

Participants were welcomed by **Mr. Antti Toivanen**, Managing Director of Kainuun Etu Oy. Mr. Toivanen provided participants with a short overview of the Kainuu region. With a population of 85,000 inhabitants the region faced big changes in terms of population and structure of industries in the past. Population density was declining as well as the wood and paper industry, once among the most important industries in Finland. Kainuu met the challenge by focusing on innovation. In terms of innovation the region now holds number one in Finland.

Today the three main sectors of the region are: Information and Communication Technology (ICT), travel/leisure and culture and welfare.

The special guest of the seminar was **Mr. Sauli Niinistö**, Vice President of the European Investment Bank (EIB).

In his presentation he gave an overview of the structure and work of the EIB and the European Investment Fund (EIF).

The EIB is the European Union's Financing Institution; it is owned by the 25 Member States and aims to support the objectives of the EU by providing long term finance. It has a subscribed capital of 163.7 bn €.

In 2005 the EIB lent 47 bn €, of which 42 bn were lent within the EU. In 2005 borrowings reached a total of 50 bn € through 330 bond issues in 15 currencies. The EIB supports Small and Medium Sized Enterprises (SMEs) by providing global loans to intermediary banks that on-lend the funds to borrowers (SMEs) at their own risk. In 2005 EIB provided long term loans for a total of 4.3 bn € for financing SMEs.

In 2005 the EIB spent a total of 34 bn € for regional development, which corresponds to 80% of the total lending in the EU. In addition, the EIB devoted 10.7 bn € to the "Innovation 2010 Initiative (i2i)", 8.3 bn € to Trans-European Networks, 12.3 bn € to environment and sustainable development and 3.6 bn € to EU external support.

The EIF was established in 1994 as the venture capital arm of the EIB. It provides funds guarantees for SMEs and is owned by the EIB, the European Commission and other financial institutions. The EIF acts as a "fund of funds" acquiring holdings in VC funds. In 2005 the EIF had a volume of 1.7 bn € for guarantee operations and 468 M € for venture capital funds.

The presentation ended with a small overview of JEREMIE, a joint initiative of EIB-Group and European Union that will enable EU Member States to use part of their structural funds to obtain a set of financial instruments, for example revolving funds, specifically designed to support micro and small and medium sized enterprises. It can be managed by the EIF.

The following speaker was **Mr. Pauli Heikkilä** from Finnvera, a financing company offering financing services to promote the domestic operations of Finnish businesses, exports and the internationalisation of enterprises.

Mr Heikkilä's presentation focused on funding provided by intermediary organisations. With a share capital of 196.6 m € and 404 person staff, Finnvera acts as intermediary for the previously mentioned EIB global loans. Besides its intermediary role, the company provides venture capital, loans, guarantees as well as export credits. Since Finnvera is owned by the state of Finland, which is committed to compensate for 50% of the credit losses, the company is able to take more risk. Thanks to these circumstances, Finnvera has been able to support its clients with low rates for loans and guarantees.

Mr. Heikkilä pointed out that the availability of finance for SMEs is not necessarily the main problem for Finnish SMEs: other important issues are, for example, the availability of workforce, as well as marketing and networking.

The third speaker of the day was **Mr. Martti af Heurlin**, Deputy General of Tekes, the Finnish funding agency for Technology and Innovation. Tekes is the main public funding organisation for research and development in Finland and provides funding for industrial projects, projects in research organisations, and innovative, risk-intensive projects.

Finland is a very competitive country, although the share of funding for corporate R&D activities provided by the public sector is very low (less than 5%). To support these R&D activities Tekes runs several programmes for R&D funding and provides also other services. In 2006 some 20 programmes were managed by Tekes for a total volume of 1.5 bn €. Tekes generally provides funding for one half of the total investment in R&D of a programme.

The total funding in R&D provided by Tekes in 2005 was 429 M € invested in 2,134 projects. Tekes's funding instruments are grants, capital loans to strengthen the risk taking capacity of small and starting enterprises, R&D loans for projects developing a new product and start up capital loans. In order to build international co-operations, Tekes has five international offices in USA, Japan, China and a Brussels office linking EU and Finnish national R&D programmes. With these facilities Tekes can also provide support for foreign companies and research organisations in their search for the most suitable Finnish partner.

**Mr. Christian Saublens**, Director of EURADA, the European Association of Regional Development Agencies, gave an overview of innovation tools to finance innovative SMEs. Mr Saublens presented a typical supply chain covering the different stages of an enterprise. He pointed out that in the seed and early stage phases there is not enough equity available. In addition the venture capital (VC) market is concentrated on expanding enterprises and VC investments have

been declining since 2000. He pointed out that there are also problems on the demand side. Entrepreneurs are still reluctant to share their company control VC investments are often linked with. New trends in financing were presented, such as business angels and business angel networks, co-funding vehicles, repayable advances, mezzanine finance as well as non financial tools such as business plan review and knowledge of funding sources. The presentation closed with two examples of good working finance supply chains.

The afternoon session started with a presentation by **Mr. Risto Kalske** from SITRA, the Finnish National Fund for Research and Development. SITRA was founded in 1967 as part of the bank of Finland and is now a public foundation under the supervision of the Finnish Parliament. Since 2001 SITRA works together with a network of now 450 Business Angels (BA) in public private partnerships within the INTRO project. INTRO, marketplace for initial investments, is one of the three supporting schemes provided in the pre-seed service package besides LIKSA - Funding for business plan development and DIILI – sales competence as sweat equity.

The INTRO scheme is channelling private and public capital to start-up enterprises. Together with Tekes SITRA provides funding for business idea development within the LIKSA scheme combining de minimis funding with convertible loans. It aims to provide the company with VC after the development of a high quality business plan. Funding is provided up to 70,000 € and for a maximum duration of 24 months. Some 600 applicants have been instructed of which 160 received start-up funding. Under the DIILI scheme experienced business professionals are brought together with start up entrepreneurs to share sales competences. Through these schemes SITRA aims to establish a well functioning pre-Venture Capital market immune to VC fluctuations.

**Mr. Henri Grundsten**, Director of the Finnish Industry Investment Ltd (FII), presented the FII seed investment programme.

FII was established in 1995. It is a state-owned company controlled by the Ministry of Trade and Industry and supports Finnish companies through investments in equity capital, venture capital funds, private equity funds and directly in selected target companies. Since seed financing has been declining in the last years, the company is, together with its seed investment programme and 75 companies in its portfolio, an active player in the Finnish venture capital market. With combined (FII co-invests at most one half) public and private funding, FII acts as a catalyst to attract private money from funds or BAs for early stage investments. Therefore not only money but also business competencies and managerial skills are made available for early stage firms.

In 2006 (25 October 2006), FII invested a total of 29M€ in 91 companies of relatively

diverse industries, of which 25 are follow-on investments. The investment range varied between 40.000€ and 4 M€.

Mr Grundsten concluded that the surprisingly high business angel activity and the return of private investors to early stage finance were one of the explanations for this situation in Finland.

The seminar ended with a speech by **Ms. Paula Lehtomäki**, Minister of Foreign Trade, who was connected via phone.

Ms Lehtomäki underlined the importance of innovation and high quality patents to improve competitiveness, as well as the necessity of enhancing the collaboration between the public and the private sector.

All presentations are also available at [www.finnetsme.org](http://www.finnetsme.org).

## Filas: adopting innovation at 360° to implement the Lisbon strategy

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***As emphasised by the EU Lisbon Strategy and echoed by the Third Cohesion Report, SMEs play a fundamental role in regional development. However, although SMEs ensure economic and social cohesion as well as sustainable development, their development is heavily dependent on an adequate access to finance, but not only. Innovation remains a key value. Innovation is not only necessary both to sustain competitiveness on the global market and in turn to attract further investments, but it lies at the very core of these actions.***

Filas, the Regional Development Agency of the Region of Lazio (Italy), is actively involved in promoting innovation throughout the regional system. The last months have been very prolific for Filas and many projects have been launched and are now producing their initial results.

In 2003, Filas began producing a regional innovation scoreboard based on the successful experience of the European Innovation Scoreboard. The 2006 Regional Innovation Scoreboard (now in its fourth edition) presents 23 indicators to assess innovative performances, covering areas such as education, employment, R&D and patenting, and the diffusion of new technologies.

Filas attempts to continuously improve the scoreboard and add new indicators. The 2005 scoreboard introduced new indicators related to creativity and its contribution to business in terms of growth and innovation. In 2006 three new indicators were added to assess competitiveness. The indicators track capital growth, the ability of the region to attract foreign investment and the development of business-to-business services.

Filas is presently working on the development of cognitive indicators to shed light on the cultural, historical and social factors behind innovative activities.

Filas's success and experience in developing benchmarking tools are also being used at European level: the OMEN project, (Optimal Practices, Development Policies and Predictive Models for Regions in an Enlarged European Union) coordinated by Filas, and financed by the European Commission, brings together six European regions with the objective of developing new tools to measure the efficiency of innovation policies and support decision-making processes.

At present each region is selecting policies that are crucial to local development. These policies will be then analyzed with the methodology developed during the first part of the project. In particular, Filas will examine the policies that govern the use of public-private venture capital funds.

The final objective of the OMEN project is to produce a validated policy impact assessment methodology, new benchmarks and a White Book containing all the recommendations gathered by the consortium for innovation policies.

Filas coordinates another European project aiming at supporting SMEs innovation. The Inno-Deal project, which started in September 2006, aims to develop the necessary conditions to promote a systematic exchange of information and good practices on programmes supporting innovation and the development of SMEs, in particular the creation of spin-offs and start-ups.

The Inno-Deal project will analyse start-up financing practices, including access to finance for pre-seed and seed stages (proof of concept, first financing round), first commercialisation (second round) and exit strategies.

Filas pursues the creation of a common ground for the cooperation among different European regions, which will lead to shared initiatives and objectives in order to promote an efficient and sustainable regional development.

In this context, and as coordinator of Inno-Deal, Filas is planning to organize a Regional Round Table amongst innovation and finance stakeholders (innovation policies managers, SMEs, Venture Capitalists, commercial banks and incubators). A seminar on “Entrepreneurial innovation, policies and clusters” will be held on 25<sup>th</sup> January 2007 in Rome, Italy. High level representatives from all innovation and finance stakeholders will be invited, as well as more than 25

representatives from the European FinNetSME network (DG Regional Policy), composed by financial institutions (banks, financial development agencies) managing financial resources for SMEs.

For more information on Filas’s projects and initiatives, please visit the website: [www.filas.it](http://www.filas.it).

## Financing social enterprises in Europe

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***Social enterprises can take many forms: that of a social firm, a co-operative, a charity, a development trust, etc. However, a social enterprise is not defined by its legal status but by its nature: what it does that is social, the way it uses the profits it generates through its trading activities and the basis on which the social mission is embedded into the business in its structure and governance. Social firms range from small local community organizations to much larger entities employing thousands of people, but it is their trading activity with a social purpose – value-led and market-driven – that defines them.***

We should not look at social enterprises simply as teams or organisations driven by the wish to “do good” or to “change things”. In many cases social enterprises are businesses competing with other organisations, such as agricultural co-operatives, co-operative banks & financial institutions, trading arms of charities, etc. Nearly all social enterprises are there because they spotted some kind of gap in the market – and then found a market in that gap. This means that social enterprises are started by people or communities who felt they needed something they just could not get from the public or private sector and decided to do something about it themselves.

Social enterprises are no less reliant on access to appropriate finances than their private counterparts. Financial sources available to social enterprises include:

- Grants, donations and help-in-kind
- Government programmes;
- European funding initiatives, such as the European Social Fund;
- Debt finance from banks or specialized community loan facilities;
- Equity finance, either as shareholders with limited rights or through accessing social venture capital or in some cases, mainstream equity.

Ensuring appropriate finance to social enterprises is a key part of enabling the sector to develop and grow.

At present, many social enterprises are undercapitalised and struggle to access external finance, particularly when starting up, growing or moving away from grant dependency. Social enterprises can access finance from mainstream banks, but the reality is that social firms often have few or no assets, minimal track record and unconventional cash flows, which make their risk difficult to quantify through traditional methods. On top of that, the social firms’ lack of financial experience keeps them from receiving funds from potential investors, who see them as high-risk businesses.

Regarding equity financing, initiatives that seek to provide equity or venture capital do not exclude social enterprises. But in practice, because of the high rates of return required and the exit strategies of investors (by selling their share holding on the open market), only a small number of social enterprises attract this type of finance.

It is therefore obvious that, due to their special features, social enterprises have difficulties in accessing external sources of finance. For this reason, the most important source of finance for social enterprises (apart from grant schemes) is through the reinvestment of surpluses and reserves back into the business.

Since social enterprises play a valuable role in creating jobs, improving public services and combating social exclusion, the field of finance for social enterprises should be further developed and governments should develop policies and actions to help “fill in” this gap in the financial market.

The **Social Investment Task Force** report is an example of good practice. It was submitted to the British Government by a specially-appointed team in order to combat under-investment in the UK social sector. The core policy recommendations

of the report can be summarized in the following table:

**Table 1: Social Investment Task Force: Key Policy Recommendations**

A Community Investment Tax Credit	To encourage private investment in deprived communities. The estimated resources would be invested in both profit-seeking and not-for-profit enterprises in under invested communities.
Community Development Venture Fund	Matched funding partnership between Government and the Venture Capital Industry, entrepreneurs, institutional investors, and banks.
Disclosure of individual bank lending activities	Disclosure of levels of banking activity in under-invested communities. This should be done on a voluntary basis, but if voluntary disclosure is not made, legislation should require disclosure.
Greater latitude & encouragement for charitable trusts and foundations	To invest in initiatives in under-invested communities, even when these include a significant for-profit element.
Support for Community Development Financial Institutions	Including Community Banks, Community Loan Funds, Micro loan Funds, Community Development Venture Funds.

Source: *Finance for Social Enterprise*, [www.renewal.net](http://www.renewal.net)

These five recommendations were welcomed by the British government and are currently being taken forward through numerous initiatives (launch of the Community Investment Tax Credit, the network of Community Development Finance Institutions - CDFIs, the Small Grants Action Plan, and the Charity Bank etc).

Another proposal by the Bank of England is the creation of a "patient fund", which is a start-up or expansion funding, comprising investment grants structured

as debt or equity, where the lender accepts lower or uncertain financial returns in exchange for social outputs. Proposals here include:

- Tax relief to encourage private investors;
- The possible development of a 'social angels' network to match social investors with social enterprises;
- Encouragement for charitable trusts and foundations to be more innovative;
- Examination of regulatory exemptions relating to shares that take into account the special characteristics of social enterprises;
- The development of social auditing tools to benchmark the performance of social enterprises.

As a conclusion, social enterprises are businesses founded to face social or environmental challenges and currently their main financial source is the reinvestment of profits in the company or the community.

In developing a national or regional strategy to tackle the financial problems of social enterprises, policymakers should consider a number of different financial options and create the appropriate framework conditions for encouraging the development of the Third Sector.

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### Literature

1. "A guide to social enterprise", Social Enterprise Coalition
2. "Finance for Social Enterprises", [www.renewal.net](http://www.renewal.net)
3. "The Financing of Social Enterprises: A Special Report by the Bank of England", Bank of England May 2003

### Websites

- [www.cdfa.org.uk](http://www.cdfa.org.uk)
- [www.caledonia.org.uk/parker.htm](http://www.caledonia.org.uk/parker.htm)
- <http://ec.europa.eu/enterprise/entrepreneurship/coop>
- [www.socialenterprise.org.uk/default.aspx](http://www.socialenterprise.org.uk/default.aspx)

## INVEGA manages the new micro-credit programme in Lithuania

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***In August 2006 the new microcredit measure for SMEs (loans up to 25.000 € or equivalent in other currency for micro companies) was launched by the Ministry of Economy of Lithuania. 8,4 M € were tendered among the all eligible commercial banks (nine from ten banks operating in Lithuania were eligible and all eligible banks participated in the tender!) and 3 banks, that offered the most favourable terms for the microcrediting of SMEs, were chosen.***

The public recourses to the participating banks (EUR 4,3 million to Šiaulių bank, EUR 2,5 million to Medicinos bank and EUR 1,6 million to the DnB NORD bank) were lent for the term up to 31 December 2012. The mentioned recourses as well as those repaid by the enterprises could be used by participating banks only for extending microcredits. Banks were fully responsible for the credit risk, and for the risk mitigation they could also use guarantees provided by INVEGA. INVEGA was appointed to manage the Microcrediting programme.

The enterprise, in order to be eligible to receive microcredit under this measure, should comply with the definition of SME. However, participating banks devoted not less than 85% of all microcredit grants to micro companies (less than 10 employees). Microcredits could be extended in the forms of investment loans and loans for working capital as well as short and long-term loans, credit lines and overdrafts.

Participating banks proposed the following terms for the microcredits: the margin (added to the lending costs, i.e. ~2,3%) should not be higher than 0,99–1,95%; the Administrative Fee should not be more than 80€; the Agreement Fee should not be more than 50€ (50-100% lower than usually).

One bank decided not to charge any administrative fee. In this instance the interest rate, paid by the SMEs benefiting from microcrediting, is between 3,3 and 4,28% (it is up to 40% lower than the average market interest rates ~5,6%).

Banks also declared that decisions to grant microcredit will be taken in a significantly short period – 48 hours after all documents have been submitted. It is estimated that more than 340 enterprises will benefit from this microcredit scheme.



For more information, contact Audrius Zabotka at: [audrius.zabotka@invega.lt](mailto:audrius.zabotka@invega.lt)

## Joint workshop of networks at SAB

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***On Thursday 19 October 2006 a joint Workshop of FinNetSME and RUISNET took place at the State Development Bank of Saxony (SAB) in Dresden. The workshop aimed at linking European Networks to enhance regional development.***

RUISNET, the Regional University Industry Strategies Network, brings together 9 institutions to foster the collaboration between Universities and Economy. The partner leader of the project is IMPIVA, the Institution for small and medium sized enterprises in the region of Valencia. The network focuses on the exchange of good practices, programmes and methodologies of University – Economy cooperation for sustainable development within European regions. The total budget of the project is 1,4 Mio € of which 0,9 Mio € are funded by the ERDF. RUISNET was presented by the Leonardo office part Saxony. The office belongs to Technische Universität (TU) Dresden.

93 experts, representatives of business, education and policy took the opportunity to exchange expertise in order to enhance the efficiency of regional networks. The two initiating networks, RUISNET and FinNetSME, were presented as well as examples of good working regional networks. Peter Flath, Project Manager of FinNetSME, gave in his presentation a forecast of how the FinNetSME database could be used in the future. The FinNetSME database now contains 69 financial and 22 non financial instruments to support SMEs and is going to be enlarged in the future. The aim is to link the project database with other thematic networks such as RUISNET. It can thus be an added value to all projects working at finding solutions for enhancing regional economic structures and fulfil the goals of the Lisbon strategy. The database has been created by the partners of the FinNetSME project and contains supporting solutions for SMEs in different stages and in different European regions.

The linkage will be possible via different

search criteria such as class, type and beneficiary and the user can search for supporting instruments matching his special needs.

Participants were welcomed by **Mr Gerd Pohland**, member of the SAB board, and **Mr Hermann Kokenge**, University headmaster, who emphasized the necessity of the collaboration between universities and SMEs. **Mr Michel-Eric Dufeil**, from the European Commission (DG-Regio) presented the structural funds for the programming period 2007-2013, as well as the aims and actions of the European Commission.

**Dr. Johann W. Bartha** (TU Dresden, Institute of Semiconductor and Micro system techniques) presented the annual Dresden "Summer school of Microelectronics" as an already existing good practice of University-Industry collaboration. The "Summer school of Microelectronics" is jointly organised by AMD, ZMD, INFINEON, QIMONDA and the TU Dresden. Founded in 1999, this regional network of industries, research institutions and universities offers each year to 150 students in engineering a programme to mediate practical professionalism and envision start opportunities ([www.sommerschule-mikroelektronik.de](http://www.sommerschule-mikroelektronik.de)).

The presentations were followed by two workshops on how to transfer knowledge from regional projects to target groups, as well as how to intensify the communication within the regions to secure project results. All participants agreed on the necessity to improve communication between different actors and to intensify already existing contacts. The aim of future efforts should be to raise entrepreneurial awareness amongst students and graduates, encouraging them to create their own business.

The event closed on the agreement to organise similar events in the future.

For more information see also: [www.leo.tu-dresden.de/ruisnet/](http://www.leo.tu-dresden.de/ruisnet/)

## FinNetSME at EUREGIA, the local and regional development fair in Leipzig, Germany

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***From 23 – 25 October 2006 EUREGIA, fair for local and regional development in Europe, took place in Leipzig, Germany.***

170 exhibitors (institutions, associations, European networks as well as ministries) and 2.200 visitors from 24 countries took part in EURAGIA 2006. The exhibition provided information about European projects and project results as well as trends in regional development. More than 40 conferences and workshops were organised to encourage discussions and exchange of experiences. EUREGIA has thus proved itself to be another ideal platform, besides the CoR Open Days, for presenting and discussing ideas, strategies and projects.

The main theme of EUREGIA 2006 was of course the new EU programming period 2007-2013, its programmes and instruments. The presentation "Future of Interregional Cooperation" by **Mr. Walther Stökl**, INTERREG IIIC Managing Authority, was therefore of particular interest during an INTERREG IIIC East workshop titled "Good Practice, network structures and future opportunities for European Interregional cooperation", held on Monday 23 October 2006.

The three objectives for the next programming period, convergence, competitiveness and European territorial cooperation, will be provided with a total of

308 bn € to support underdeveloped regions. The workshop attracted over 150 participants. All presentations of the INTERREG IIIC workshop are available on the website:

[www.interreg3c.net/sixcms/detail.php?id=10087](http://www.interreg3c.net/sixcms/detail.php?id=10087).

Another main event was the second annual conference of the INTERREG IIIB CADSES programme. The program supports transnational partnerships and aims at achieving higher territorial and economic integration within the co-operation area, promoting a more balanced and harmonious development of the European space. 70 individual CADSES projects were presented. Further information is available on the website: [www.cadses.net/en/news.html?news\\_id=238](http://www.cadses.net/en/news.html?news_id=238).

9 Russian regions took part for the first time in the event. The Leipzig fair and the Russian regions will precede their collaboration in the future under the headline "Trust, Dialogue, Action".

Representatives from the Russian regions will have the chance to present themselves and their region during the **Terra Tec** event (International Trade fair for environmental technology and environmental services) and **Erntec** (International trade fair for energy), to be held from 5 to 8 March 2007 in Leipzig.

FinNetSME was presented jointly with other projects such as REVITAE, energy` regio, Regenergy.

The next EUREGIA will take place in autumn 2008 (see also [www.euregia-leipzig.de](http://www.euregia-leipzig.de) for further information).

## Invitation to the upcoming seminar in Rome, Italy “Entrepreneurial innovation, policies and clusters”

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Filas SpA is happy to host the network's 5<sup>th</sup> thematic seminar titled: “Entrepreneurial innovation, policies and clusters”, which will take place in Rome on October 25, 2007 at the Jolly Hotel Leonardo da Vinci, via dei Gracchi 324.

Hereafter you can find a draft programme of the event:

16:00 – 16:15	Registration
16:15 – 16:30	Introduction: <b>Fabrizio Sacerdoti</b> <i>Sole Administrator Filas SPA</i>
16:30 – 17:10	<b>The new European Programmes for the period 2007-2013: Europe Innova, PRO INNO Europe and the cluster policies</b> <i>Alex Talacchi – EU- DG Enterprise - Innovation Policy Development Unit - Project Officer - Entrepreneurial innovation aspects</i>
17:10 – 17:30	<b>The role of networks to promote innovation and technology transfer to SMEs</b> <i>Simona Marzetti - IPI Director for Innovation and technology transfer, Secretary general of the INSME association</i>
17:30 – 17:50	<b>Innovation instruments in Lazio Region : Filas and the INNO-DEAL Project</b> <i>Stefano Turi – General Director - Filas</i>
18:00 – 18:20	<b>Venture Capital for enterprises born through scientific research</b> <i>Pierluigi Paracchi – Quantica SGR</i>
18:20 – 18:30	<b>Finance for innovation in the EU: the FinNetSME experience</b> <i>Peter Flath – SAB Saxon Development Bank – FinNetSME project Manager</i>
18:30 – 18:45	<b>Innovation policies in Lazio Region</b> <i>Raffaele Ranucci – Councillor for Economic Development, Research, Innovation and Tourism – Lazio Region</i>
18:45 – 19:15	<b>Panel on the theme:</b> <b>“To what extent a EU perspective is beneficial to regional innovation?”</b> <i>All speakers</i> <i>Chairman: Klaus Kofler – EU delegation - SAB Saxon Development Bank</i>

For more information, please contact Laura Santarelli, Project Manager for EU Initiatives, from Filas SpA: [santarelli@filas.it](mailto:santarelli@filas.it)

## Interested? - How to Become an Associated Partner

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

Electronic version: [FinNetSME@sab.sachsen.de](mailto: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
Tel. +49 351 4910-4080	Tel. +49 351 4910-4086

### **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:

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Place, Date:

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Signature and Stamp:

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## Contact Information

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### **Newsletter Coordination**

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### **Project Coordination**

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### **Project Website**

[www.finnetsme.org](http://www.finnetsme.org)