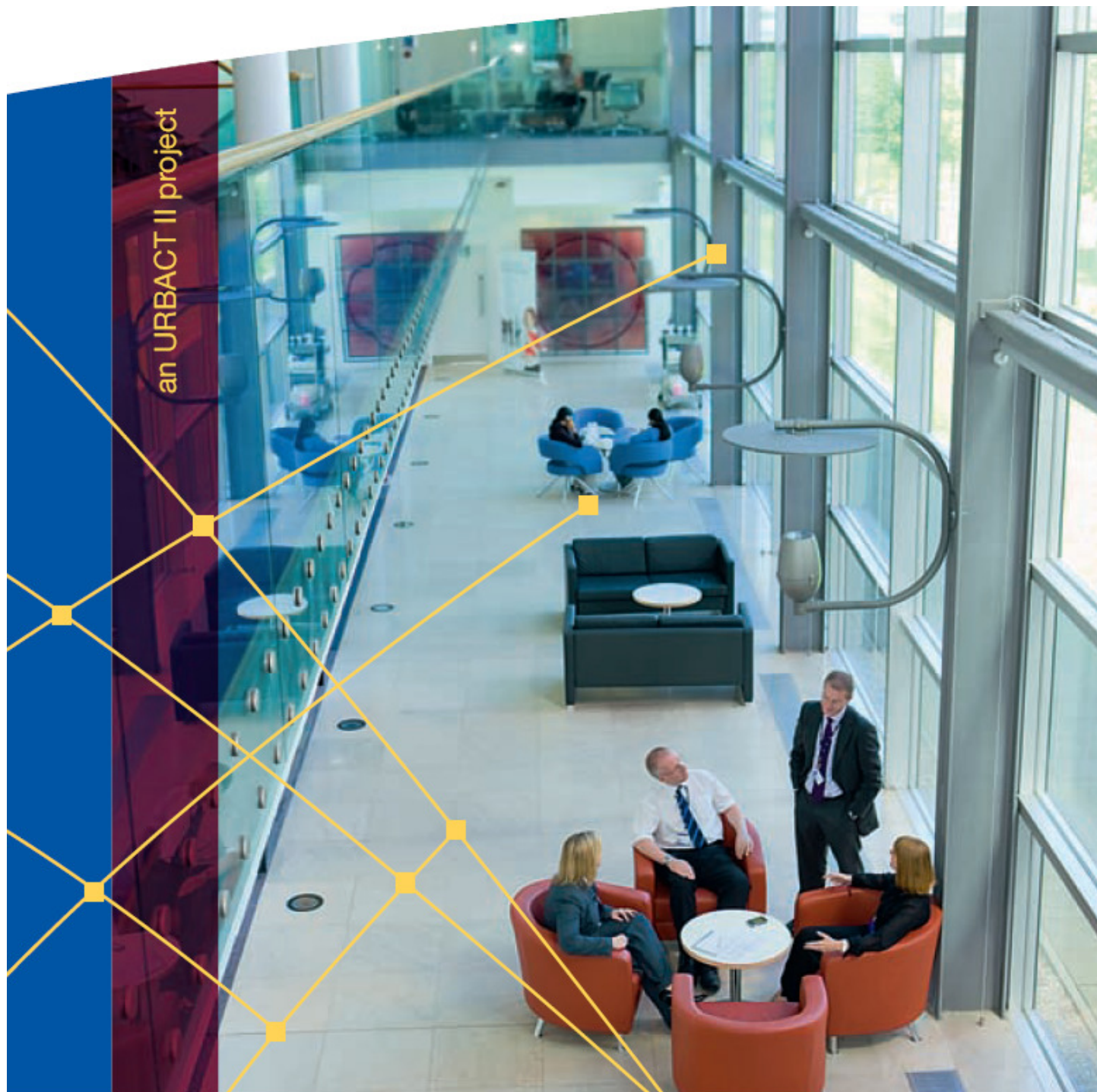




FIN-URB-ACT

Integrated Urban Actions for Fostering and Financing Innovative Economies and SMEs

Summary of the Baseline Study



European Union
European Regional Development Fund

Connecting cities
Building successes



FIN-URB-ACT

Issues raised by the Cities and their LAPs

The FIN-URB-ACT Cities have raised several issues that they will like to address with the FIN-URB-ACT project. These issues can be gathered under 4 main headings:

1. Cities and the Managing Authorities: the pathway to partnership,
2. Support to small/social projects and businesses, including self-employment,
3. Support to innovative/high tech projects and businesses,
4. Communication,

and they are the main themes of 4 work groups.

The first and the last subjects (Managing Authorities and Communication) concern all the Cities: they also represent 2 of the URBACT II priorities.

Subjects n° 2 and 3 are of general interest for all the Cities, but particularly concern some of them:

- small/social projects: Aveiro, Edinburgh, Galati, Gijón, Gliwice, Linz, Maribor, Reims and Rome,
- innovative/high tech projects: Aachen, Aveiro, Edinburgh, Galati, Gijón, Gliwice, Leipzig, Linz, Maribor, Reims and Rome.

1. Cities and the Managing Authorities: the pathway to partnership

The first observation that deserves to be highlighted is the fact that Cities generally find it unusual and difficult to contact with their Managing Authorities: obviously it is not a spontaneous nor regular relationship.

But when it comes to SME support, the challenge is that SMEs recognise the local level as the most adequate, and thus the corresponding measures need to be implemented at local level although they generally are designed at a higher administrative level (regional or even national in some cases) without the local level being involved. This situation leads to the risk that the SMEs, and particularly the smallest ones, do not fully use the support that has been made available for them.

One may think that this is the reality only in the new member states that have a recent and thus limited experience of the European funding procedures. But experience shows that old member states face the same situation. This can be explained by the fact that each administrative level has been assigned specific competences and the consequence is that they have a limited need and thus a limited tradition in cooperation: partnership is a new concept.

This leads to the situation where, for small business support measures, the Managing Authorities in charge of the European structural funds, have the legitimacy of access to public finance and the Cities, the legitimacy of proximity to the businesses: obviously the key to success lies in combining these two legitimacies.

The URBACT II programme gives a good opportunity to experiment this cooperation:

- it provides a framework for this cooperation,
- it contains “encouragements” to both parts to meet, to work together, to prepare recommendations and design solutions that should logically be implemented on the field.

The 1st issue is a precise definition for the Managing Authorities.

The spontaneous, simple definition is the organisation that is in charge of the structural funds for the territory of the City; generally in the traditional European model, it is the “regional” administration (NUTS 2 level).

But in practice, the reality may be more complex, in particular in countries where the organisation of the regional level still is in process, but also in countries where measures concerning SMEs are managed simultaneously by the public administration and by several public or private independent organisations, in particular national agencies. This situation calls for an early clarification that the FIN-URB-ACT Cities have planned to address.

The 2nd question is: how to make business support measures more SME friendly? in particular concerning access to finance.

The enforcement of public procurement procedures definitely had positive effects on a better, more transparent use of public funding. Unfortunately, it not adapted to the operational mode of SMEs that need:

- proximity: SMEs mostly recognise the local level,
- continuity: SMEs need a stable, predictable environment and take long time before adopting a new procedure,
- reactivity: small business life has not the same pace as the administrative life,
- simplicity: with simple procedures.

At this stage, the discussion between the Managing Authorities and the Cities should not be whether the application of procedures is questionable or not, but rather whether a “missing link” between the Managing Authorities and the SME community has not been omitted in the scenario, and whether the Cities have the capacity to bring in some flexibility or, at least, contribute positively in this “missing link”: for instance they could contribute with actions related to information, preparation, training for the businesses. They may also play a role in the “funding path” itself, to make funds accessible on a longer period or with more **flexible terms**, so that the small businesses are encouraged to make full use of these additional resources and do not limit their development projects to their traditional funding sources.

This applies to **access to funding** itself but also applies to **access to expertise**, which is generally required for access for funding.

Expertise can be delivered to the small businesses with 2 approaches: “one-to-one” or “one-to-many”.

In the first case, the **one-to-one approach**, expertise is provided to each business individually, according to their specific requirements and at the time the businesses feel they need it. This means that a vast variety of subjects may have to be treated: thus many experts should be made available, and the procedure should be opened on a long period of time.

The FIN-URB-ACT cities clearly meet difficulties in making this expertise available for small projects, either with the provision of traditional small business advisory support schemes that subsidise SMEs so that they can learn how to use the services of professional consultants, or with the provision of expertise to innovative, high tech ventures.

Theoretically, these forms of expertise are eligible to public support, in particular to the European structural funds, but in practice they cannot easily be implemented through traditional public procurement procedures.

In the latter case, the **one-to-many approach**, expertise is delivered to a group of businesses: this can concern businesses in the same branch of activity and several methods have been developed around the concept of **clusters**. It can also concern businesses located in the same neighbourhoods (this can even apply to a whole City

territory) with a threat of deterioration and a need for **revitalisation and modernisation investments**: in this situation, **town centre management** proved to be a very valuable technique in several countries.

In both cases (formation of clusters or town centre management), the question is to identify adequate sources of funding to cover investments and deliver local good quality advisory support all along the duration of the projects and not only during their starting period: it is a combination of technical and organisational competences, with a key role played by the Municipality and local small business associations and a strong support of the Managing Authorities as they have the possibility to make these projects eligible to the structural funds.

2. Support to small/social projects and businesses, including self-employment

Traditionally, Cities were not heavily involved in supporting their small business community and they did not consider these activities in their normal competences. During the last period, this situation has changed and Cities are now in a front line position because:

- There is a need to create wealth and jobs to improve living conditions for the residents and businesses are the only actors capable of achieving these goals,
- Generally, the big businesses do not expand and rather decrease their volume of activity in Europe: consequently small businesses are the only possibility for expansion,
- Small businesses recognise the local level rather than regional or national levels,
- There is a need to organise visibility for the support schemes at local level so that the SMEs can take full advantage of these schemes.
- Some sectors of activity or types of projects/businesses (social projects, self-employment, micro-businesses) are not fully covered by private finance because of too high risk and limited profitability.

The Cities are urged to take some form of support action but at the same time, they lack information on the real needs expressed by the SMEs and the existing support instruments.

Consequently, several Cities have expressed the wish, and have included in their local action plans, to have 2 surveys conducted on their specific territory:

- The **map of all public support schemes**, implemented by all administrative levels and available for small businesses located on their territory. Public support schemes only because they are the only ones that can be described precisely since private funding is often subject to commercial negotiation and there is no standard offer.

This map will represent the common information basis for all the stakeholders involved in supporting SMEs (they generally work and promote their schemes separately). It will also be a basis to start a discussion with the private sector actors and an essential instrument for a communication campaign targeted to the new and the existing businesses. For this reason, this survey may be conducted in the communication work group.

- A **survey on the requirements of target businesses** on which the Cities intend to concentrate their efforts.

Such a survey was already conducted in several European countries, in particular, in 2002, by the European Commission (DG ENTR) that commissioned a survey in the 15 former Member States + Norway on support services for micro, small and sole proprietor’s businesses with more than 1000 small businesses and stakeholders surveyed.

Indeed this document is a very valuable source of information. But several factors indicate that a local survey can provide an additional dimension:

- Cities realise that they generally have to concentrate their action on projects that are “out of market”: very small, social projects, support to self employment as a form of

social integration, or, at the other end, highly innovative projects at a very early stage. These projects are not covered by traditional data bases.

- The percentages in the EU survey fluctuate on a fairly wide range so that they can deliver sufficient information for general conclusions but they cannot be applicable to a specific area, or a specific sector of activity or a specific type of businesses. At the same time local policies need to be carefully targeted on specific priorities (self-employment, start-ups, tourism,...): Cities need accurate data bases to design efficient support schemes.
- This information will be shared by all local stakeholders: to be accepted by all partners, this information must reflect the reality of all of them so that they can include it into their own local strategies.
- A local survey involving all partners will facilitate appropriation and consolidate local partnership.

These 2 surveys will be the basis for:

- The analysis of the relevance of existing instruments: do the locally available instruments meet the local business needs/requirement? what are the possible improvements? what are the redundant elements? is there a need for new instruments?
- A discussion with the private stakeholders (banks, venture capital, business angels, philanthropists, donor funds...who are/should be the main source of funding for businesses) on the complementarity between public and private funding and the leverage effect of public schemes on private actors so that the latter can provide larger amounts of funding to more businesses.
- A re-definition of public instruments taking into account the possibilities offered by the private sector, considering that the role of public support should **not** be access to funding for businesses but incentives to stimulate private actors on activities that they are reluctant to cover (generally with good reasons).

These discussions will be conducted at network (FIN-URB-ACT) level and in the local support groups simultaneously.

3.Support to innovative/high-tech projects and businesses

All Cities are interested in having such businesses develop on their territory: high growth potential, a link with the economy of the future, attractive activities and jobs, positive image are some of the advantages that make that no City would like to miss these opportunities.

Many financial instruments have been developed for innovative projects but numerous factors play an important role and financial instruments are only part of them.. This explains the complexity of the local support systems and the large number of specialised support organisations.

Theoretically the Cities have the possibility to intervene at each stage of the process. But it is not the vocation of a public local authority to be involved in private business management, especially in high risk ventures and with minority interests. In practice, the Cities are interested in supporting these projects (and businesses) to allow them to grow, create jobs and wealth and later on, to keep them on their territory.

After the presentation of the situation in each City, this work group will study a method to design the map of all the numerous stakeholders that intervene on support to innovative projects, paying particular attention on the situations in the Cities hosting the network meetings, with the intention to draw the “red thread” that links the local stakeholders. These case discussions will allow the Cities to prepare a methodology on how to analyse the local situation and how to provide best support to the specialised stakeholders.

4. Communication

Communication in the FIN-URB-ACT network will cover 2 main dimensions: one concerns the type of actions directed to existing businesses and support organisations. But there is also another dimension that the Cities want to cover: it concerns the future of the small business community and the image of the City as an entrepreneurial City. This latter aspect is related to teaching entrepreneurship in the local schools and Universities with the message that becoming an entrepreneur can be a valuable option for life.

● Communication on supporting local SMEs

Designing efficient support instruments is a good achievement but the real goal is to design support instruments that are actually demanded and used by the businesses. The difference lies in the quality of visibility and in the communication policy at local level. URBACT II has made it a priority for the networks.

SMEs make it a difficult exercise as they require continuity (stable and predictable environment) and most of the credibility is built on peer-to-peer information. Consistently designed instruments and a clear “red thread” mentioned in above § are also necessary to communicate efficiently.

The communication process will give an additional dimension to the Local Action Plans by putting the outputs of the Local Support Groups under the spotlights and it will be implemented at 2 levels:

- external level with various target groups: the business community and their representative organisations, the supporting organisations and decision makers at higher level.
- internal level, within the Municipality departments, so that the SME dimension is considered when measures affecting the businesses are envisaged.

The Cities are in a favourable position to coordinate these communication campaigns:

- they have the capacity to put all local actors together,
- they are recognised by the SMEs,
- they have a public status that inspires reliability and continuity,
- they generally have a good know-how (and the corresponding staff) on preparing communication /public relation campaigns.

This subject will be discussed during the 2nd and 3rd years of FIN-URB-ACT. All Cities are concerned with this dimension of communication and with their on-going experience, the City of Reims will play a leading role on this aspect in FIN-URB-ACT.

● Teaching entrepreneurship in local schools and Universities

Business management has long been taught in specialised schools and Universities. But this form of knowledge is mainly directed to staff of large businesses and until recently, little was done to gain specific expertise for small projects and SMEs. This kind of subjects were introduced in the curricula of the western business schools and Universities only during the last 20-30 years, and generally on a fairly reduced scale. Of course with the focus that is recently put on the importance of the small businesses, this dimension is growing and the Cities in the FIN-URB-ACT network are interested in developing it into 2 directions:

- introducing entrepreneurship in the University curricula in the new Member States,
- introducing entrepreneurship in secondary (and later in primary) schools..

This dimension of communication will start at the beginning of FIN-URB-ACT.

Main Themes in FIN-URB-ACT Local Action Plans and Cities interest

FIN-URB-ACT partners	Partnership with Managing Authorities	Support to small/social projects	Support to innovative/high-tech projects	Communication
Aachen (Germany)	<ul style="list-style-type: none"> •LAP: dissemination of the regional “Go! Consulting initiative” •LAP: easier access to regional funding 		<ul style="list-style-type: none"> •LAP: enlargement of LSG “Gründeregion”to Universities •LAP: optimisation of the “startercentres” (central contact points) for innovative projects •LAP: intensification of consulting processes in direction of start-ups and innovative branches 	<ul style="list-style-type: none"> •LAP: raise SME awareness on the 5 “startercentres” in relation with Universities and financial institutions •LAP: internal “start-up” semesters in Universities •LAP: raise potential start-up awareness on consulting services in innovative branches
Aveiro (Portugal)	<ul style="list-style-type: none"> •interested in opening discussions for various projects (incubator, SME support services, financial instruments, town centre management) 	<ul style="list-style-type: none"> •LAP: framework for revitalisation of shops and crafts in historical district •LAP: designing a financial support instrument combining public and private funding 	<ul style="list-style-type: none"> •LAP: feasibility study for incubator •LAP: survey on innovative SME requirements for access to finance 	<ul style="list-style-type: none"> •LAP: map of public financial support and information campaign •LAP: raising awareness and teaching entrepreneurship in secondary schools •LAP: cooperation with local media
Edinburgh (UK)	<ul style="list-style-type: none"> •interested in opening discussions for various projects (SME support services to innovative projects, financial instruments) 	<ul style="list-style-type: none"> •LAP: business survey to identify barriers to utilisation of mainstream support •LAP: designing a financial support instrument combining public and private funding 	<ul style="list-style-type: none"> •interest in advisory support services to innovative projects •interest in designing new financial instruments 	<ul style="list-style-type: none"> •LAP: map of public financial support to start-ups and existing businesses •LAP: promotion of entrepreneurial spirit in the local community and higher level
Galati (Romania)	<ul style="list-style-type: none"> •interested in opening discussions for various projects (SME support services, 	<ul style="list-style-type: none"> •LAP: survey on SME requirements for access to finance •LAP: designing a financial 	<ul style="list-style-type: none"> •interest in support to innovative projects 	<ul style="list-style-type: none"> •LAP: map of public financial support and possible connections with private sources •LAP: information

	financial instruments, town centre management, teaching entrepreneurship)	support instrument combining public and private funding		and training to develop entrepreneurial spirit (including ethnic groups) ●LAP: training courses for businesses on access to funding ●interest in training courses on entrepreneurship in University
Gijón (Spain)	●interested in opening discussions for various projects (SME support services, financial instruments)	●LAP: survey on SME requirements for access to finance ●LAP: designing a financial support instrument combining public and private funding	●LAP: feasibility study for municipal venture capital fund ●interest in new financial support instruments in complementarity with VC	●LAP: map of existing public funding support ●LAP: information and training seminars for SMEs and advisors on support schemes
Gliwice (Poland)	●LAP: adaptation of procedures for access to finance (more SME friendly)	●LAP: survey on SME requirements for access to finance ●LAP: cooperation with the Regional Guarantee Fund to offer 80% guarantee	●interest in support to innovative projects	●LAP: map of existing public funding support ●LAP: municipal information point for SMEs with all stakeholders ●LAP: communication campaign with local media ●interest in training courses on entrepreneurship in local University
Leipzig (Germany)	●LAP: support to advisory services for incubated businesses: pool of professional consultants ●LAP: attracting external expertise for the bio-tech pole ●LAP: better use of regional funding possibilities	●LAP: setting up a micro-credit fund combining local partnership and upper administrative level (Federal Ministry of Economy and KfW) ●LAP: development of complementary follow-up services	●LAP: pool of specialised professional consulting services for innovative businesses and start-ups	●LAP: raise awareness for the local network of expertise in high-tech projects (bio-tech cluster) to attract experts at national/international level
Linz (Austria)	●interested in opening discussions for various projects (SME support		●LAP: survey on innovative SME requirements for access to finance	●LAP: map of existing public funding support for innovative and creative industries

	services, financial instruments)			<ul style="list-style-type: none"> •LAP: information campaign on survey outputs and local good practices •LAP: involvement of Universities and round-table stakeholders in information seminars
Maribor (Slovenia)	<ul style="list-style-type: none"> •interested in opening discussions for various projects (SME support services, financial instruments) 	<ul style="list-style-type: none"> •interest in designing a financial support instrument combining public and private funding 	<ul style="list-style-type: none"> •interest in support to innovative projects 	<ul style="list-style-type: none"> •LAP: web portal to provide the SME community with information on public procurement opportunities and related support instruments
Reims (France)	<ul style="list-style-type: none"> •interested in opening discussions for various projects (SME support services, financial instruments) 		<ul style="list-style-type: none"> •interest in support to innovative projects 	<ul style="list-style-type: none"> •LAP: communication campaign on the start-up support network Crea-Reims •LAP: methodology to measure the campaign impact on stakeholders' activity
Rome (Italy)	<ul style="list-style-type: none"> •LAP: agreement with the Lazio Region to form network and prepare coordinated actions 	<ul style="list-style-type: none"> •LAP: coordinated network to provide support to start-ups and self-employment •LAP: methodology to measure impact of the network effect 	<ul style="list-style-type: none"> •interest in support to innovative projects possibly using the experience gained on small traditional projects 	<ul style="list-style-type: none"> •communication campaign on the support network
DV- German Association for Housing, Urban and Spatial Development	Not applicable			

URBACT II

URBACT is a European exchange and learning programme promoting sustainable urban development.

It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 181 cities, 29 countries, and 5,000 active participants

www.urbact.eu/project



EUROPEAN
PROGRAMME
FOR
SUSTAINABLE
URBAN
DEVELOPMENT

