



FIN-URB-ACT

Integrated Urban Actions for Fostering and Financing Innovative Economies and SMEs

Newsletter spring 2009

Foreword

It is my great pleasure to present you with this newsletter of the European project FIN-URB-ACT - Integrated Urban Actions for Fostering and Financing Innovative Economies and SMEs.

I just come back from a big business event in the Netherlands where 350 entrepreneurs of innovative companies discussed the chances and risks of cross-border entrepreneurial cooperation. One of the questions which you frequently hear at such a meeting is: "Who can give SMEs financial support at the right moment and without too much bureaucratic obstacles?". You hear this question everywhere, although, in all countries and regions of Europe, there exist hundreds of funds, support programs etc. Apparently, the problem is not that there are no funding opportunities, the question is about the procedures and the accessibility of these financial funding schemes. How easy or complicated is it to benefit from them and what can regions, cities and local financial stakeholders do to make the access easier and to stimulate the local economy. This is the starting point of FIN-URB-ACT.

When we started the planning of the project FIN-URB-ACT in late 2007, the financial and economic world looked different. Since September 2008, the events on the international financial markets, the rescue programs of governments, and the growing uncertainty about the effects of this financial turmoil have, unfortunately as one must say, proven that the project FIN-URB-ACT deals with topics of great importance.

How can regions and cities shape framework conditions which foster the financial and non-financial support of small and medium companies?

What kind of networking do we need to attire funding programs for our local economy and put projects into practice?

How can we enhance the cooperation between "Managing Authorities" on regional and national levels and the local reality?

For the Municipality of Aachen as the Lead Partner and Deutscher Verband as coordinator of the project, it is a great enrichment to discuss these essential topics with the cities Aveiro, Edinburgh, Galati, Gijón, Gliwice, Leipzig, Linz, Maribor, Reims, and Rome in the project FIN-URB-ACT. Without doubt, all these cities will benefit a lot from the intense exchange in this project.

Thomas Fiedler

Thomas Fiedler
Municipality of Aachen



Connecting cities
Building successes



Fighting the financial and economic crisis on local level



European economy is severely hit by the financial and economic crisis. Starting with huge turbulences on the financial markets in 2008, the crisis has now fully reached the real economy and led to a general economic downturn. But what does this mean for the economic development in our cities? And what actions can be taken on local level to support local enterprises and start-ups in this extremely difficult market framework?

These questions are crucial for the European network FIN-URB-ACT, a project of eleven cities from ten countries which work out efficient approaches and tools for improving the support to local SMEs and innovative enterprises. As a special focus is laid on the role cities can play in facilitating and fostering access to finance for SMEs and start-ups, FIN-URB-ACT has a particular interest in assessing the changed financial framework for local SMEs.

Certainly, local entrepreneurs highly suffer from decreasing markets resulting from reduced investments and production of bigger enterprises and the decline in private consume. But to what extent are they also affected by the so called 'credit crunch' caused by a restricted lending policy of financial

institutions? Do small local companies and especially start-ups – getting their financing mostly from local financial institutions like savings banks or co-operative banks – also encounter more difficulties in getting finance for their economic activities? And how can those enterprises be best supported in their access to finance?

The media usually give a lot of information on large businesses and on financial institutions, but very scarcely take their examples from the small business community. Small businesses have always claimed that access to finance was a difficult issue for them but we receive no recent information that this issue has significantly deteriorated during the last period. SME representative organisations hardly send messages in this direction. Does the absence of communication mean absence of problem?

On EU and national level financial stabilisation actions and recovery programs tried to mitigate arising financial bottlenecks and counteract the economic downturn. The EU started several activities for accelerating and simplifying the implementation of Structural Funds programs. The European Investment Bank makes 30 Billion Euro available for additional loan programs over the next three years and provides technical assistance to microfinance institutions. These funds are traditionally handed out in form of SME credits through commercial banks. But do these actions really reach those groups of entrepreneurs they are politically targeted at? Are the procedures for these programs suitable for triggering down the means to the local level and for meeting the specific needs of the local small business community?

From the perspective of FIN-URB-ACT, the European and national measures show their greatest effect, if they are strongly interlinked with economic development partnerships on local level. Because locally embedded institutions are closest to the needs and potentials of the local business community. Therefore, the URBACT network will strengthen those local partnership structures, e.g. involving local financial institutions, chambers, qualification bodies universities and different public departments and agencies. They will pool and coordinate their own financial and non-financial support activities and jointly use and implement SME support programs made available on upper state levels. Within the coming two years the eleven FIN-URB-ACT partner cities will not only produce concrete local action plans for improving their local economic support system, but also elaborate general guidelines and recommendations for organising effective local SME support and facilitating access to finance.





Patrick's journeys

Interview with the FIN-URB-ACT Lead Expert Patrick Fourquette



"I have worked my entire career for small businesses" are the words **Patrick Fourquette**, the FIN-URB-ACT Lead Expert is using to characterise himself. "Either I was running my own small business myself, sometimes even taking over a business in difficulty when I was young – and probably fool – or I worked as support to small businesses in representative organisations or as consultant." Patrick has more than 20 years of experience in SME related issues like enterprise policies, SME support programmes or development strategies. Moreover, he worked for the European Commission's DG Enterprise as a national expert, as twinning expert for the French Government or for URBACT I. With supporting FIN-URB-ACT he is now continuing this career in small businesses and the EU context.



The main issue of FIN-URB-ACT is access to finance for SMEs. Is this from your perspective also one of the main issues businesses are facing?

Patrick: Well, there is a general recognition, that small businesses need three things to develop. The first thing is **access to market**. If there is no access to market, there is no business. Access to market is the condition for businesses to exist. A second thing businesses need is **know-how** and **expertise**. Expertise will help them to reduce the risk in developing their business. This includes the staff's know-how as well as access to external knowledge on very specific issues. And the third thing is **access to finance**. Access to finance has to be seen as access to a commodity that is very important, because all businesses need it. And the businesses have to learn how to deal with this commodity.

You were travelling last summer to all FIN-URB-ACT partner cities for discussing with them their challenging issues on SME support. What similarities and differences did you identify?

Patrick: The aspect of similarities was exactly the issue we had to answer in the beginning of our project. Because if we wanted to work consistently in the European network we had to find some specific issues that would be common to all cities or at least to a certain number of cities. This was what I tried to find out during my visits to all partner cities. Luckily, I would say, the cities have all quoted two subjects when they were confronted to SME policies. The issues were **support to high-tech and innovative businesses** and as well the issue of **support to small scale projects**. So some cities wanted to address both while other cities wanted to be more concentrated on one of the issues. And so the partners defined two groups of enterprises they will handle within the FIN-URB-ACT project the next two years.

The two subjects – small scale projects and innovative projects – are quite broad. Do the cities have similar challenges and topics they want to handle in this context?

Patrick: In each subject there are various issues that have to be addressed and depending on the partner in the city there will be various ways of addressing these issues. If I take the question of social or small projects some cities foster access to finance and want to set up specific instruments for these projects. For instance this is the case in **Leipzig**. There are some other cities, which want to support access to market for their small business communities. This pillar is interesting for **Aveiro** and **Rome** but also for **Maribor**, **Galati** and **Gliwice**.

When it comes to innovative businesses and high-tech projects, the two questions that are difficult to address are the question of access to funding and access to expertise. In general, those cities, which want to focus on these types of projects, neither have the funds nor the expertise. Some cities foster the pooling of expertise – it's the case in **Leipzig** and **Aachen**. Some other cities use existing resources in terms of expertise which they make available for various sorts of projects. It's the case of **Edinburgh**, **Reims** or **Aveiro**. Other cities focus more on the financial instruments, for example **Gijon** and **Linz**.

Partnership with the Managing Authorities of the European Structural Funds Programmes and the aspect of **communication and information strategies** are two more themes in the context of SME support the FIN-URB-ACT project will handle. Irrespective of the target enterprises these two topics are relevant for all partner cities. Moreover, both topics are highly relevant for the URBACT programme.

Read more on this in the next FIN-URB-ACT newsletter



news & events

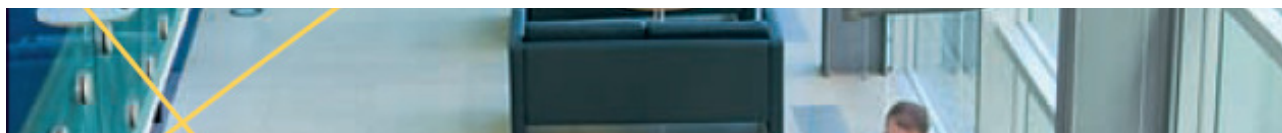
Join forces in favour of SMEs FIN-URB-ACT Kick-off conference in Aachen (Germany)

The European city network FIN-URB-ACT was having its kick-off in early January, 2009. Under the title 'Join forces in favour of SMEs – Partnerships for fostering and financing local enterprises' the FIN-URB-ACT project invited European, regional and local key actors with political, administrative and economic background to jointly discuss strategies and measures to strengthen the existing potentials of the innovative enterprises and to improve their access to financial sources. The discussion gathered high representatives from the European Parliament and the European Commission, stakeholders from ministries, administrative bodies, chambers, financial institutions and economic development agencies. Main message from the discussion was the high value of partnerships necessary to provide efficient SME support. Also the European representatives recognise the local partnerships as crucial elements to ensure the targeted impact of the instruments designed on higher levels.



The role of universities for business development FIN-URB-ACT work meeting in Aveiro (Portugal)

The FIN-URB-ACT project has its first work meeting in Aveiro (Portugal) on 3rd/4th June, 2009. The FIN-URB-ACT partners together with their respective Managing Authorities from the Structural Funds Programmes have intensive discussions on how to improve support structures for their small enterprises or high tech projects and the possibility to better channel the financial sources from the European Structural Funds. Special focus is laid on the aspect of Universities – as strong players for supporting innovative enterprises and as key players for teaching entrepreneurship.



News from our Local Support Groups

Galati

Our partners from Galati, Romania have been very busy these days as they were organising different activities together with their Local Support Groups: At the international Urban Dialog "DunaLog", which took place in Budapest on the 14th of May, Galati used the opportunity to present the network of FIN-URB-ACT and the project's aims. DunaLog intends on boosting and fastening regional position of the Danube territory within Europe via undertaking regional coordination and knowledge transfer. Our partners represented the network not only with the help of a comprehensive presentation, but they also distributed different information materials to the broad audience. More information about DunaLog can be found on <http://www.budapestikornyezet.hu/duna/index.php?language=en>. Next step Galati took was the organisation of their first conference for the local SMEs involved in the project. Together with their Local Support Group, they had a very fruitful discussion on project themes like support structures and current challenges. Last but not least, Galati started its second round of questionnaires within their survey focussing on SMEs.



Reims & Aachen

By invitation of the Region Champagne-Ardenne, the Municipality of Aachen and the Regional Development Agency of the Aachen Region (AGIT mbH) attended the international business exhibition "Innovact", which took place in Reims on 24th. and 25th of March. Taking place for the 13th. time, Innovact is a European forum for innovative start-ups and young technology driven companies. More Than 220 exhibitors and 2500 visitors came to the exhibition centre of Reims. Beside the presentation of the regional competences in several technology fields by AGIT as member of the LSG, FIN-URB-ACT was a central topic of conversation on the Aachen booth. Especially successful was also the meeting between the LSGs of Reims and Aachen – both identified several common key aspects of activity. The conversation between both will be intensified in June as Reims will visit Aachen to discuss possibilities of future cooperation.





key player's input

Local financial institutions and their links with the local economy

Local financial institutions, such as savings banks and socially committed retail banks, across Europe have a long tradition of contributing to their local economies. As decentralised financial institutions with a dense branch network and strong local and regional ties, these institutions are proximity banks. It is part of their role and identity to contribute to the improvement of living conditions, support local economic development and build greater social cohesion in the local communities and regions in which they work.

Building on their proximity network and their deep knowledge of local needs, they grew naturally as the privileged financial partners for local and regional economic projects. They have built business relationships with major actors for local development and growth. Thus, they have become the drivers of local economic dynamism, both for the financing of infrastructures through partnership with the local authorities, and for micro projects aimed at creating jobs and reducing social exclusion.

An illustration and strengthening of the full commitment to regional development and support to SMEs is the FIN-URB-ACT project, in which a number of savings banks and other local financial institutions are involved as local partners. The latter are convinced that this partnership between local economic actors and the combination of non-financial assistance and financial instruments is the optimal approach to facilitating access to finance for SMEs and thus contribute to the creation of jobs and sustainable development in the local economy.

This task and commitment of local financial institutions, such as the savings banks, to the local economies and partnership with local actors was valid in the past and is still valid today, even in times of financial crisis. It is precisely at such times of crisis that the undoubted benefits of the decentralised savings and cooperative banks "business model" have been validated and recognised as providing stability in the market.

All actors need to work together to tackle the current crisis and re-establish a good economic and social equilibrium in Europe. The savings banks will play their role in this collective effort by continuing their traditional intermediation role which takes into account the whole financial lifecycle of their customers. They recognise that both the financial profit of their operations and the societal benefit of their involvement in the community are important. This "double bottom-line" allows them to position themselves firmly in the midst of turbulent economic times.

Fiona Joyce,
Deputy Director
European Savings Banks Group
www.esbg.e

The FIN-URB-ACT network



FIN-URB-ACT PARTNER CITIES:

- Aachen (Germany)
- Aveiro (Portugal)
- Edinburgh (United Kingdom)
- Galati (Romania)
- Gliwice (Poland)
- Gijon (Spain)
- Leipzig (Germany)
- Linz (Austria)
- Maribor (Slovenia)
- Reims (France)
- Rome (Italy)
- German Association for Housing, Urban and Spatial Development (Germany)

www.urbact.eu/fin_urb_act

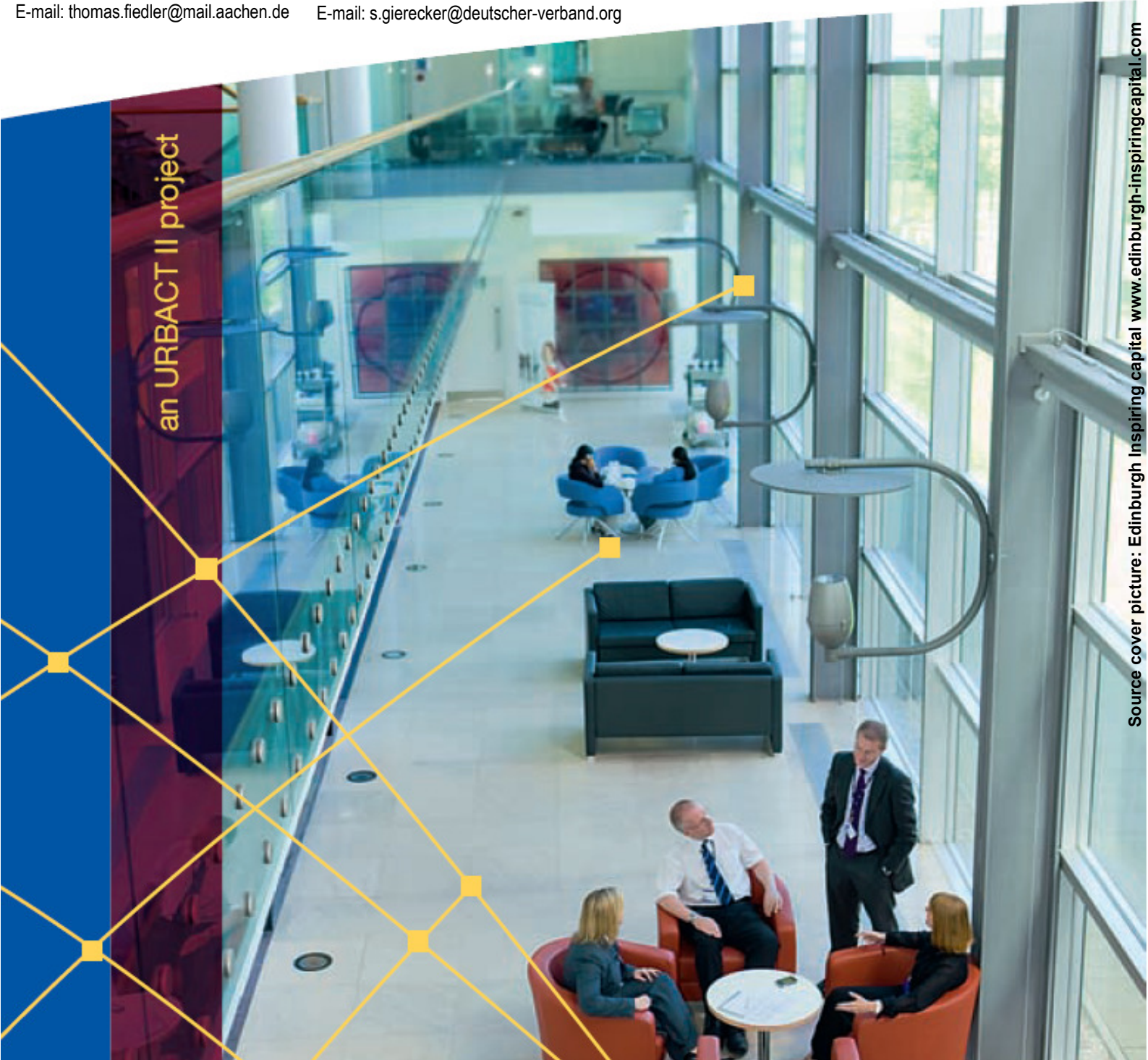
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