



FIN-URB-ACT

Integrated Urban Actions for Fostering and Financing
Innovative Economies and SMEs

Newsletter winter 2010/2011

Foreword

It is my great pleasure to present you a new edition of our newsletter of the European project FIN-URB-ACT. 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 one must say, proven that the project FIN-URB-ACT deals with topics of great importance: - integrated urban action for fostering and financing innovative economies and SMEs – was never as important as today

Hereby the focus has to be on following questions:

- *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 to put projects into practice?*
- *How can we enhance the cooperation between "managing authorities" on regional and national levels and the local reality?*

The third edition of our newsletter starts with a hot topic about micro-credits and Town Center Management - two concepts of integrated development approaches for small scale projects and integrative forms for revitalisation of inner urban retail and crafts sector, in which cities can play a decisive role.

A further highlight of this newsletter is the summary of the surveys on access to finance for self employed, micro and small businesses presented by Patrick Fourquette, the FIN-URB-ACT lead expert.

After a brief report on news and events the newsletter closes with our traditional key player input, this time with the vice major of our partner city Galati Mr Nicușor Ciumacenco, on the importance of FIN-URB-ACT for improving the business environment in Galati.

These topics built the frame of the past network meetings and gave the partners the possibility to learn from each others' good practice examples. For the Municipality of Aachen as the Lead Partner and the German Association for Housing, Urban and Spatial Development as thematic coordinator of the project, it is a great enrichment to discuss these essential topics with the cities of Aveiro, Edinburgh, Galati, Gijón, Gliwice, Leipzig, Linz, Maribor, Reims, and Rome within the project FIN-URB-ACT. Some of the network's results are presented on the following pages.

I wish you an enjoyable reading

Luise Clemens
Municipality of Aachen





hot topics

Micro-credits and Town Centre Management – Two concepts of integrated development approaches for small scale projects



Having focussed in the last newsletter mainly on university spin offs from the high technology sector, the partners from the FIN-URB-ACT network commonly discussed during the last meetings also measures in providing assistance for small scale projects as well as small shops and crafts in the city. These kinds of businesses need different approaches than high tech start-ups in terms of financial and organisational assistance. In terms of financial assistance the establishment of micro credits is being regarded as a successful appliance in particular for small businesses in deprived neighbourhoods. The reason therefore is that the approach of micro-credits is aiming not only on pure lending of loans. The significant different lays in the involvement of a social dimension, as micro-credits are also provided to customers, faced with difficulties in being creditworthy.

However, there are various questions that will immediately rise. Which institutions can lend micro-credits? Which system is applicable? What roles traditional banks can play and which role can take the city in assisting a local micro-credit programme? Banks are a large source of institutional finance for local businesses. However, commercial banks usually there are some that hesitates in providing micro-credits, as they are faced with high transaction costs in ratio to the relatively low income that can be expected from the customers. Thus, local authorities can assist and steer in establishing an integrative and well coordinated system among different stakeholders like collaborative arrangements between banks and local development agencies and municipalities.

Therefore, two pilot examples show a cooperation system were the municipality, local development agencies, the local savings banks including the involvement of complementary funding from national and EU programmes were successfully established in the city of Leipzig (which was accompanied by the FIN-URB-ACT network) and in the city of Offenbach (Germany). Through the involvement of banks (in particular local banks) in key stages, pooling of available resources across different entities (financial and non financial) as well as leverage by additional funding from public and private sources a comprehensive and locally targeted micro-credit programme can be designed. Within this system the city can play the role in coordinating such a comprehensive and complex system.



Application of cooperation forms of urban stakeholders for revitalisation concepts of the inner urban retail and crafts sector

A further example of an integrated approach where the city can play a coordinating role in easing the access to funding that was discussed within the FIN-URB-ACT network depicts the special situation of small shops and crafts in inner urban areas that are faced with a strong competition with big shopping malls and retailers in suburban areas. The stimulation of urban trade directly concerns cities as it is related to one of the main service to residents. Also shops and crafts develop a project for a profit in a context of risk and must be strongly recognised as businesses that need investments in modernisation of e.g. modernisation of shops, the surrounding infrastructure and traffic reorganisation which naturally leads to forms of cooperation between public and private stakeholders. It is one of the few examples of SME support with the one to many approaches, which means possibilities of efficient procedures, savings on administrative costs and leveraged effects. It requires specific procedures and specific organisation as a vast number of small businesses involved and they need to be organised into one stakeholder e.g. a local business association – that can be a valid partner for the Municipality as it is the case in the FIN-URB-ACT partner city Gijon (Spain). They for instance created a dialogue between the business community and the administration about the design of modernisation processes or in the definition of the opening hours. There are different forms of organisation frameworks reaching from formalised cooperation's under the umbrella of the Municipality as the most simple form or it can be applied as the concept of Town Centre Management. Therefore cooperation can be formalised into a specific organisation that takes the form of a town centre association where all stakeholders can be represented: this form of cooperation allows for a more flexible operation as it is not directly bound by heavy administrative procedures in force in public organisations such as a Municipality. Within FIN-URB-ACT forms of cooperation of local stakeholders have been discussed. The partner city of Maribor (Slovenia) is currently developing a concept where this approach can be applied. Moreover the involvement of the Managing Authorities means additional access to funding. They play a decisive role in providing access to EU structural funds (EFRE or ESF). Cooperation between businesses can be encouraged with financial incentives also from their side



Patrick's journeys



Summary of the surveys on access to finance for self employed, micro and small businesses

In the FIN-URB-ACT network, 7 Cities^[1] decided to improve access to finance for small sized businesses, because these businesses often represent the only possibility for some residents to enter the labour market and generate some form of income. In fact, the Cities also realised that it sometimes is a neglected population among the businesses and they felt it was their responsibility to address these specific problems. Of course the Cities had different targets: some wanted to focus their efforts on newly created businesses, others on self employed, others on all small sized projects, but they all wanted to determine the existing gaps between local offer and demand of finance and to design measures to fill in these gaps. They decided to prepare a common questionnaire and to conduct a survey on their target businesses.



Several surveys were already conducted in the EU on the services required by the small businesses, in particular the EC study on support services for micro, small and sole proprietors' businesses (2002)^[2] covering all the former 15 member States and Norway. What would then be the added value of conducting similar surveys for the Cities?

First they wanted to focus specifically on access to finance and related services for specific classes of businesses.

They also realised that the offer of finance and the local practices were probably different: would the businesses requirements be adapted to the local offers?

It was also an instrument for the Local Support Group members to work together on a common project and thus, to completely accept the answers of their own business communities, which would increase the cohesion of the group.



The interesting result is that, although it is now recognised that the small businesses express the same basic requirements when it comes to support services (and access to finance is one of them-important), these 7 surveys produced 7 different pictures. There is no contradiction in this conclusion: the surveys did not result in a picture of the perception of the requirements expressed by small businesses in general, but in various pictures of the local offers of finance to the local business communities. Of course the corresponding measures will be different and adapted to the local reality: some will have to work on simplification of procedures, others will have to raise visibility on the existing instruments, some are more open to equity funding while others work with credit cards, some will reinforce support services with existing organisations, others will need to reinforce the support organisations themselves....One of the common conclusions is probably the necessity to re-think the provision of support services with a concept of a real "one-stop shop" all along the business life.

Another recommendation that the group would like to deliver is that general conclusions are definitely useful to design the main features of a support policy, but conducting a survey locally is a good first step to fine tune the local measures.



^[1]Aveiro (P), Edinburgh (UK), Galati (Ro), Gijón (E), Gliwice (PL), Maribor (SLO) and Reims (F)

^[2]http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/support-services_en.htm



news & events



Introduction of FIN-URB-ACT during the SME Intergroup meeting in the European Parliament

On 15 September 2010, the SME Intergroup of the European Parliament organised a workshop with a small circle of stakeholders in order to receive input for its planned Resolution on the future of European instruments to support SME finance. The stakeholders included besides EIB, UEAPME, Eurochambre and Business Europe also the European Savings Banks Group namely represented by Fiona Joyce, Deputy Director of the Business Cooperation. Fiona Joyce was following the development of the FIN-URB-ACT project since its beginning and introduced the project and the experiences made so far the present MEPs.



FIN-URB-ACT meeting in the city of Maribor

As prosecution of the FIN-URB-ACT work meeting in June 2010 in Gijon (Spain), the network group continued their exchange activities on the topic of revitalising inner urban areas. The meeting was held in the partner city of Maribor (Slovenia) on 3 and 4 November 2010. The city of Maribor with its historic centre, cultural diversity (Maribor will be European Capital of Culture in 2012) bears lots of potentials for a vibrant vitality in the inner city. In order to boost also the shops and retail sector, the city of Maribor currently discusses and develop strategies to revitalise this sector in its historical city centre. The FIN-URB-ACT network contributed with experiences and concepts on forms of organising such development strategies (see also page 2 concept of Town Centre Management).



Conference “Cities and Managing Authorities – A Pathway to Partnership” in Brussels



One of the main work topic that was discussed within all FIN-URB-ACT work meetings focused on forms of cooperation and communication models between cities and their Managing Authorities of the structural funds. During the running project many partner cities where able to involve their Managing Authorities in concrete actions to foster the local economic development or found forms of cooperation and mutual agreements. These successes but also difficulties will be presented and commonly discussed among FIN-URB-ACT partner cities and their Managing Authorities on European level in the regional representative office of North Rhine-Westphalia in Brussels on 9 February 2011. Key players from the European Parliament like Sabine Verheyen MEP and Alexander Ferstl from DG REGIO of the European Commission will be involved in order to discuss questions on how these forms of cooperation can be better institutionalised in the future.

Outlook: Final Meeting in Gliwice

The final meeting of FIN-URB-ACT is taking place on 14 and 15 March 2011 in the partner city of Gliwice. The city will present their outcomes of the project to a broader public audience. The meeting will be used also as a dissemination event, to national and regional stakeholders and decision makers on SME support instruments and support programmes. All participants will be invited to commonly discuss the added value of FIN-URB-ACT for each city and how this networking approach can be used to establish exchange activities on further topics concerning urban economic development.



Exclusive interview with Nicușor CIUMACENCO, Vice-Mayor of Galati, Romania [\[1\]](#)

Importance of FIN-URB-ACT for the Business Environment in Galati



Q: Mr. Vice-Mayor, the Municipality of Galati has been a core partner of FIN-URB-ACT ever since its development phase. What do you consider to have been the most important factors in deciding to commit to the project?

A: As all similar organizations, the Municipality of Galati is concerned with the welfare of its citizens and, by extension, the health of the local economy. So far the economy of Galati is dominated by the metallurgic and shipbuilding sectors, with strong input from the commerce, service and construction sectors. Encouraging local SMEs to branch out in more sectors which are underrepresented in the region has been a longtime goal of the SME stakeholders and the FIN-URB-ACT project was the perfect catalyst to start work on this issue.

Q: Perfect catalyst in what sense?

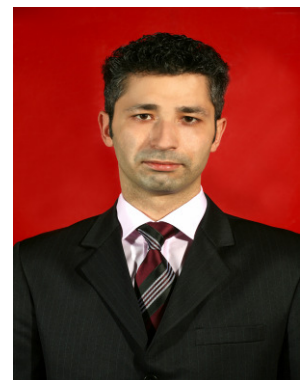
A: In the sense that it provided an additional impulse for all the local stakeholders to join their efforts towards this common goal. The Local Support Group created within FIN-URB-ACT comprises long term collaborators of ours in the SMEs domain (Chamber of Commerce, Danubius University, /Romanian Commercial Bank) as well as the Management Authorities for national programmes which can be used as financing sources (Regional Operational Programme, Operational Programme for Increase of Economic Competitiveness, Operational Programme for Environment). A previous example of successful collaboration between local stakeholders for the benefit of the SMEs is the Software Park in Galati, which currently houses around 30 SMEs in the field of C&IT and has become a promoter of innovation at regional and even national level. This new collaboration which has begun as the Local Support Group is so promising that plans are already in place to continue and expand it.

Q: We know that the FIN-URB-ACT project is ir

A: They will definitely continue. I have been informed that Local Support Group members have decided to continue their association and even actively search for new members in their attempt to become as relevant as possible to the local SMEs. Currently they are also working on a Local Action Plan to be implemented after the end of the project.

Q: The project's effects on local collaboration seem far-reaching and it seems to have been given quite a bit of attention from the municipality's officials. What about the international aspect of the project?

A: The FIN-URB-ACT project has indeed been given special attention by the municipality due to the importance of its subject matter and to the high benefits it was expected to produce in terms of expertise and best practice. I consider myself lucky to have been able to follow the project since its development phase in 2008 up to this day. It was my honour to represent our municipality during two of the project's meetings (the kick-off conference in Aachen 2009 and workmeeting 3 in Edinburgh 2010) and to establish rapport with the leaders of our partner cities. Personally I was impressed by the lead partner's approach to such a complex issue as SME development but also by the ability displayed by the Edinburgh officials in combining a centuries long tradition in administration with modern techniques and methodologies. The FIN-URB-ACT network has been of great value to us and we hope that it will remain active even after the end of our project. The dynamics of the network has been great from the very beginning on and the experiences shared by our partners have helped us to shape our plans and expectations. We can only hope that the expertise Galati has shared in exchange can be of benefit to our partners



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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)

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. URBACT is co-financed by the ERDF Funds and the Member States.



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