

# FIN-URB-ACT

## Local Action Plan City of Gijón



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### The Initial Situation (what issues needed to be addressed)

Gijón (280,000 inhabitants) is the largest city in the Spanish region of Asturias; the largest one of the Asturias Metropolitan Area (circa 700,000 inhabitants); and the 15 largest in Spain.

Gijón has been for centuries an industrial city but, having been one of the most important manufacturing centres in North Spain, now the industries are either gone (coal mines: about 2,000 workers in their “Good Old Days”) or lost weight (shipyards: from seven in the mid. 20th Century to one; steel mills: from 25,000 employees – Avilés included – to 8,500). So, the heavy industries have made way for new types of industry and services companies. Nowadays, the micro-businesses and SMEs play the most important role in bringing jobs and wealth to the city.

Gijón is a Pioneer in Spanish Local Development. In the mid '80s, a Technical Dept. for Local Development was created within the City Council (the first one in the region). In 1988, an agreement for Local Development of Gijón was signed by the City Council, the Regional Government and the Spanish Government. In 1996, the Local Agency was set up on the basis of the already existing Technical Dept, for Local Development. It is an independent entity within the City Council. The Municipal Centre of Enterprises (and the Science and Technology Park) are accountable to the City Council's Local Agency. In 2000, the first in a series of agreements which are the main feature of Gijón's policy for Local Development took place. Since then, every four years after the Local elections, the newly elected Mayor and Councillors sign an agreement with the main local social stakeholders: the trade unions and the business association. This agreement contains the guidelines for the policies aimed at Economic Promotion and Employment for the coming four years. It is not literature, there are no abstract ideas or objectives to be achieved; there are specific measures to be undertaken, specific actions to be carried out, specific indicators and figures to be achieved and there are specific budget lines allocated for the implementation on every action.

In the year 2008, the last of those public–private agreements was launched: The so-called “*Gijón Innova 2008-2011*”. The total budget is €477,388,601. The structure of this Agreement consists of five Axis: Axis 1 – Employment (€60,530,276 allocated); Axis 2 – Training (€17,866,651

allocated); Axis 3 – Information Society (€4,269,912 allocated); Axis 4 – Economic Promotion and Innovation (€341,120,000 allocated); and Axis 5 – Commerce and Tourism (€23,601,762 allocated).

The stakeholders who were the signatories of the above mentioned agreement had detected some weaknesses in local SMEs as well as in the field of local support structures to SMEs. Those weaknesses have been tackled with the help of FIN-URB–ACT. One important challenge was the consolidation of the consulting services for enterprises and the support instruments for the business network. Moreover, in order to enable a permanent diagnosis about self-employment, micro-enterprises, SMEs and cooperatives, there was a need for a monitoring tool. For improving access to markets it was also necessary to better inform and orient local enterprises concerning existing programmes for entrepreneurial internationalisation. In terms of physical infrastructure there was a need for new premises for innovative and technological enterprises. Finally, SMEs' access to finance was tough sometimes, and there was a need to draft and develop innovative policies aimed at easing SMEs' access to funds.

Concerning access to finance, there were deficits in the area of micro-loans and venture capital. There was a need for consolidation of micro-financing, being more targeted to new entrepreneurial projects, SMEs and micro-enterprises. There was also a need of a powerful tool to support innovative projects, and a Venture Capital Fund was foreseen to carry out VC investments in emerging enterprises and micro-enterprises, especially in those related to R&D and innovation.

### **The composition of Gijón LSG**

Gijón LSG is composed of several municipal departments: the Deputy Mayor for municipal support to SMEs and entrepreneurs is the project's Political Coordinator. It also involves the Municipal Business Centre (as Technical Coordinator), the Science and Technology Park, the Agency for Local Development, the Department of International Affairs, and the Department of Communication; the Regional Ministry for European and Economic Affairs is also involved (Managing Authority); the Trade Sector is represented by the Regional Business Association and the Local Shopkeepers' Union; and the financial and banking sector is represented by the Regional Mutual Guarantee Society; the most important banks and savings banks located in the town; and the local company responsible for managing VC entities.

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### **LAP: What we did together during FIN-URB-ACT**

LSG realised that local policies should address the following specific problems:

- Insufficient knowledge (by the local authorities and even the private stakeholders) about the actual situation of local SMES: which problems, challenges and difficulties they should overcome for their consolidation and growth;
- Lack of knowledge (by the SMEs and micro-enterprises) about existing resources;
- Underperformance of available financial instruments;
- Financial crisis, which will make access to finance even more difficult;
- Lack of venture culture.

*So, action number one of Gijón LAP was: to carry out a diagnosis study about the demand of SMEs in financing.*

At the beginning, it was planned that the regional university (“Universidad de Oviedo”) would be in charge of this study. In the end, it was decided to carry out a more comprehensive survey, focused not only on financing but also in other issues related with creation, consolidation and growth of SMEs and micro-enterprises. This diagnosis study was made by the consultants “Auditores Consultores” with the help of the regional university and the Municipal Centre of Enterprises. The outcome of this study was 18 conclusions and 17 suggestions for improvement of the local public services.

FIN-URB-ACT helped in drafting a part of the questionnaire. Moreover, the benchmarking study made with the data obtained from Gijón and other project partners’ studies has shown some gaps to be filled by Gijón local authorities.

*Action number two was: Adaptation of existing public support instruments:*

The outcome of the study together with the acquired experience of the municipal entities in charge of local development and enterprises support allowed discovering the gaps in the public financial support package, to understand the reasons for the relatively poor performance of some instruments and re-design these instruments in line with the small businesses' requirements.

FIN-URB-ACT has made possible the exchange of experience with other project partners, focused either on the improvement of underperforming financing schemes, or at setting up new financing instruments.

*Action number 3 was: Organisation of information and training seminars on basic and advance financing supporting schemes.*

LSG acknowledged that, despite efforts, a significant number of SMEs and micro-business were ignorant, or almost ignorant of the existing public schemes to support access to finance. Thus, some seminars and workshops have been organised, targeted to SMEs as well as to small businesses' advisers (public and private) and small business associations.

*Action number 4 was: To do a feasibility study for a Venture Capital Fund.*

LSG members decided to carry out a feasibility study for a Venture Capital Fund because The Economic Development Department of the Municipality had identified some innovative businesses, related to large local enterprises that looked promising in terms of growth and job creation, but whose financial situation should be consolidated. The outcome of this study was in favour of setting up a venture capital fund.

The Venture Capital Fund was set up and approved by the Spanish Commission for the Stock Market. Nowadays it is fully operative. It seeks investments in both established innovative high value added business projects and newly created projects, as well as the development and expansion of small and medium enterprises with potential growth and a highly skilled management team. Priority sectors are: Information and Communication Technologies (ICT); Nanotechnology; Biotechnology; Plant protection products and services; Advanced and high added-value Services to Industry; and products and services regarding Clean Energy.

*Main features of the Venture Capital Fund:*

**Initial assets:** €6,000,000

**Duration:** Ten years after its creation (this term may be extended or shortened in two years by decision of its Investment Committee).

**Investment Types:** Investments will be directed towards the strengthening and creation of technology-based firms, the promotion of the R+D+I and the implementation of new activities in the surroundings of the Science and Technology Park of Gijón and other technological enclaves of the city.

**Business sectors targeted:** Venture Capital Fund seeks investments in both established

innovative high value added business projects and newly created projects, as well as the development and expansion of small and medium enterprises with potential growth and a highly skilled management team. They will be priority sectors (Information Technology and Communication (ITC); Nanotechnology; Biotechnology; Plant protection products and services; Advanced and high added-value Services to Industry; And products and services regarding Clean Energy

**Sectors which are expressly excluded:** Armament and facilities for defence, general government, Financial Sector and Real Estate.

**Geographic Area:** Gijón, but up to 10% of the Fund's initial capital can be invested in other municipalities or even abroad, as long as this will serve the business development in Gijón.

**Diversity of sectors:** the maximum amount invested in a particular sector will be 25% of the total assets of the Fund.

**Investment per project:** the maximum amount invested in a particular project will be 15% of initial assets of the Fund.

**Duration of investment:** between three and five years, although different durations may be allowed by the Investment Committee.

### What will be done in the future?

One of the most relevant outcomes of FIN-URB-ACT is that it has established a structure for the standing monitoring of SMEs' needs, for verifying the effectiveness of local policies, and for drafting and implementing new policies. In this way, we have seen that some instruments have worked quite well until recently (like our microcredit scheme), some are not performing well because of the crisis. LSG member address this problem and propose some measures to tackle this. On the other hand, training seminar, workshops, and other forms of communication should be carried out regularly, not exceptionally, and some LSG members should play an important role on this. And finally, LSG should seek innovative ways of supporting SMEs access to finance along with FIN-URB-ACT partners.

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URBACT II

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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

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