



FIN-URB-ACT

Integrated Urban Actions for Fostering and Financing Innovative Economies and SMEs

Newsletter summer 2010

Foreword

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

European currency crises and the soccer world championship in South Africa are the bad and the good news in the media these days. If the European cities want to forearm their local economy against global economic crises, integrated urban support structures and the creation on an innovative climate are more needed than ever. The partners within the FIN-URBACT network show different ways how this challenge can be tackled also in times where public budgets are more and more cut down.

Hereby, the focus has to be on following questions:

- *How can universities strengthen entrepreneurial spirit?*
- *In which way can cities overcome old industrial structures and support prosperous branches – such as the creative industries?*
- *How can cities create a favourable environment so that local banks get more active?*

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 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. Some of the network's results are presented on the following pages. I wish you an enjoyable read.

Isabelle Pitre
Municipality of Aachen

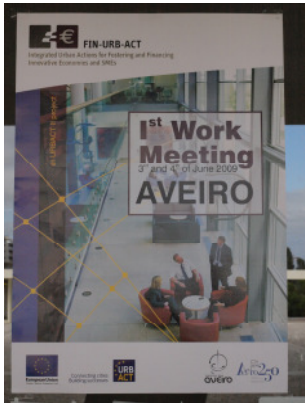


Connecting cities
Building successes





hot topics



Aveiro – The Case of Universities and their role in supporting SMEs

During the second work meeting, the FIN-URB-ACT working group focused on innovative projects, such as the interactive role of Universities to support innovative start-up enterprises. That universities play a decisive role in fostering an entrepreneurial attitude with students should be regarded as a matter of course! They are in a position to enable students of becoming an entrepreneur, and to demonstrate to them that becoming an entrepreneur can be a valuable option for their future. In order to allow a prosperous growth of new businesses, universities need to have a capacity to deliver basic-comprehensive-support-packages to their students.

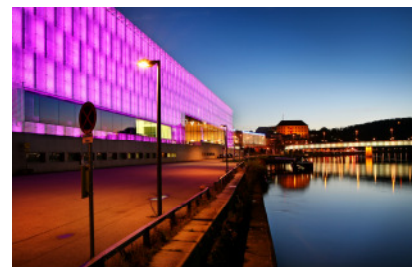
Besides financial support, consulting structures play an important role, which are mainly based on coaching/mentoring on technical (related to the business fields), and non technical subjects (legal, marketing, patents, sales) as well as administrative services. Additionally, they are expected to bring in technical expertise, and since they are often the only source of expertise it is theirs to support new entrepreneurs in assessing their technical risk correctly, and giving them confidence in their projects. One important condition for this to be possible is that some teachers should be entrepreneurs themselves or at least be open to entrepreneurship.

A further element concerns the financial support. The financial support covers all development phases of a project, But mainly the initial phase. The support comprises small and flexible seed capital, a good connection to banks, to public support schemes (at national and regional levels), and to private investors. One particular funding example that was highlighted during the meeting was the role of Business Angels. It is obvious that within the course of a European Project not every approach is automatically adaptable for all countries. Aveiro, for instance, is more open towards accepting Business Angels or further third-party investors -others than banks- and shareholders in their companies than other countries (e.g. Germany). However, the attitude towards corporate finance in general also differs in terms of size and field of activities. Small businesses, for example tend to be rather sceptical about equity financing. Thus, they mostly rely on traditional lending. Business Angels can cover both dimensions of support; on the one hand financial support, as they can consolidate equity, and on the other hand, non financial supports since they are specialists in the investment sectors and thus, have the expertise in preparing acceptable business plans. However, apart from technical expertise and access to finance one has to take into consideration that not all high-tech projects necessarily need highly sophisticated support instruments. A lot of them just need basic support during their start-up phase: small premises with affordable rent, administrative services, small initial funding, and basic advisory services.



The Case of Linz – Strong Networks for a highly diversified SME sector

At the meeting in Linz the focus was put on support structures for the emerging sector of creative industries. Here, one can find a typical case of restructuring the cities industry towards a promising and multifaceted growth sector. The culture and creative industry sector comes increasingly into the focus of public attention. It is no longer regarded as only being an important image criterion of a city, but rather a sustainable self-contained sector, which incorporates the future model of a knowledge based industry. The decision made by Upper Austria, to put the focus on particular sectoral support of creative industry was already made in 2006, in succession of round table discussions and the results of various surveys. Due to the manifold characteristics of this sector, which are strongly based on various innovative SMEs, a strong networking initiative, integrating all important stakeholders of the local SME support infrastructures, needs to be developed to provide tailored guidance and orientation. Usually there are seldom strong associations presenting the common needs and interests of SMEs, coming from the heterogeneous creative industry sector. Interviews of entrepreneurs have shown the strong need of specific networks. They provide targeted services, exchange of experiences and information on funding opportunities or coaching. Within this integrative model, the chamber of commerce acts as a kind of 'one-stop-shop', (due to its particular strong position in the case of Austria) where many strands of supporting tools flow together. Further emerging business sectors concern the raising of awareness and that there might be obstacles. In order to ease this process, it was shown that it is very helpful to use temporary umbrella events (as it was in Linz the Cultural Capital 2009 and the European year of creativity and innovation of 2009) to effectively establish long lasting support structures and promotion efforts. Additionally cross-cutting initiatives can be involved to merge the two different worlds of creative and classic economy.





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.

Within FIN-URB-ACT the focus was put on two topics: the relationship among cities and Managing Authorities (MA), and communication. However, both are imposed a bit by URBACT. Do you think they are imposed right since the cities say it is not our issue, or do you see in the project now, that it is an issue?

I always thought that the relationship to MAs is a very important one, which was also seen in the forerunner project ECO-FIN-NET. The interesting thing is that some cities did not think of the MA. We have already made it a strong recommendation to have a partnership between all administrative levels, especially between the regions, the MA and the cities. We are regarding it as very crucial, as it provides the access to European funding and this can not be neglected. In the future and even now there is no other possibility for many cities to gain access to European Funding than through the MA. So definitely, I consider it as an issue. Now we are in a situation where cities say: we have certain projects and we want these projects to be financed. There should be a direct link between the money and the projects – and this does not exist. We have seen this lack of cooperation everywhere.

... and Communication?

Communication is part of my personal experience and I have always thought that if you run a public project you have to allocate a significant part of the budget to communication. I consider, a significant part means something around 20%, but all civil servants always object that this is too much. But communication, especially for public projects, is essential because there is a component of pilot projects and visibility, raising awareness is very important and this can only be done by communicating. When I visited the cities they said 'yes communication, we can accept that' but at the same time they did not accept the idea of having a common issue with the MA, or simply did not exactly know what had to be done with the MA. So, when the URBACT programme puts emphasis on these two components – MA and communication – in my opinion, is absolutely correct.

A further critical means of the integrated approach within FIN-URB-ACT is the involvement of local support groups (LSG). Are there differences between the cities and are there similarities in involving the diverse stakeholders?

This theoretical concept of LSG under the umbrella of the city is very important. It is also important to put emphasis and raise awareness on the necessity of this partnership; that without this partnership nothing significant will happen. Some of the cities have long experiences in partnerships, whereas others have none. You can say that of course in eastern cities there are fewer experiences in partnerships, since it is a new issue. However, even in some western cities it is in some occasions a new concept. Traditionally, the administration was designed in such a way that there is no overlapping between the different partners. The emphasis was put on avoiding duplication of services, and suddenly we say 'no' we have to put them altogether to solve the problem. This is a new approach, because they are not used to talking to each other, they are not used to putting all their work into the same basket. So sometimes it's fairly new.

And who are the most important stakeholders to be involved?

First, cities need to have their MA, they need to have financial partners, banks, financial institutions, credit and guarantee funds (when they exist, generally on regional level), the chamber of commerce, the chamber of crafts, as well as business representative associations. These are the core partners. Many times cities have added the universities – for two reasons. The first reason is that the universities have the capacity to conduct some local surveys and conceptual contribution to the work group. The second reason is that universities have the capacity to teach entrepreneurship or business management and they can contribute to this policy.

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



news & events

Favourable environment for local banks

FIN-URB-ACT midterm conference in Edinburgh

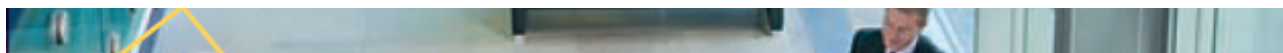
How can cities create a favourable environment for local banks to be more active? This was one of the leading questions which were posed at the FIN-URB-ACT midterm conference on the 9th and 10th of February in Edinburgh. The focus thereby was put on microfinance issues. After the key messages were introduced by the project partners from the different cities, a panel discussion took place. It was attended by the partner cities, a representative from the European Commission (DG Enterprise), and the Lloyds TSB, who discussed the needs and demands of the tools for micro lending. The outcomes and statements of this discussion will be discussed in the upcoming issue.



Modernisation of shops and crafts in cities

Upcoming FIN-URB-ACT Work Meeting in Gijon

The FIN-URB-ACT Network is having its next work meeting in Gijon (Spain) on the 15th /16th June 2010. This time the topic will be: "Access to finance for SMEs – specific approach for the modernisation of shops and crafts in cities". Many cities are faced with the issue of weak inner city structure of small businesses and shops. With the upcoming meeting the partners are going to discuss possibilities on cooperation and funding possibilities for shops and crafts in inner cities. The network will be accompanied by representatives from the Directorate of Commercial Policy of the Ministry of Industry, Tourism and Trade from Spain.



News from our Local Support Groups

Linz: "Working Group Funding" as new joint platform

Several partners from the LSG of Linz have formed an association with the aim to create a joint coordinated platform to support start-up projects. Concrete start-up activities receive support on the principle of one "one stop shop". The support and consulting structures are optimized, also by the integration of private consultants. Participants within this network are tech cEnter Linz, the Creative Community, tech2b, the initiative of the economic chamber Austria i2b & go, business consultants, and the University of Applied Science / Institute for Business and Software Park Hagenberg. The platform is connected internally through its own system. This project has developed step by step since last June and exceeds already the activities of the original LAP.

Leipzig has launched a local fund for micro-lending

The new micro-lending fund in Leipzig has been launched on 26 May 2010. A local small business in house-painting received the first loan of 3.000 € to support the purchase of a delivery van. The development of Leipzig's fund of 200.000 € for local micro-lending has been inspired by FIN-URB-ACT. The new fund will give loans to small businesses up to a maximum of 20.000 € and of 5.000 € on average. With a run-time until the end of 2012, to be prolonged if successful, the fund is structured as a revolving fund where paid-back loans and revenues are re-invested. Leipzig's local savings bank is interested in the fund's new approaches to supplying micro-finance and has consequently decided to co-invest together with the City of Leipzig. The 20% of local investment into the fund are completed by an 80% share jointly supplied by the German Government and the European Social Fund.





key player's input

Cities and Managing Authorities – Pathway to Partnership?

Traditionally, the relationship between Managing Authorities and cities is rather unusual. This is due to different administration cultures, work habits and competences as well as complex procedures or the absence of market constraints, which would make it necessary to find additional resources. Also the fact, that some European programmes allow cities direct access to structural funds without requiring any form of administrative partnership, affects the relationship. Since the urban development funding is increasingly provided by EU structural funds there is a strong need for cities to enter into discussion and reflection on EU funded urban projects.

In practice, SME support measures are generally not designed nor decided at local level. They are included in programmes managed at a regional or even national administrative level. Cities, at local level are not involved in the implementation. A fact, that not only applies for the new member states, but for most regions across the European Union. Do we miss opportunities by keeping this system strongly divided? One main objective of the URBACT Programme is finding and testing new forms of cooperation among both partners. The task is not easy to accomplish - neither for the Managing Authorities, nor for the cities - as there is no "one-model-fits-all". The structures in some regions are so complex that an effective cooperation is simply not feasible. However, there are several innovative possibilities on how to enable cooperation among Cities and Managing Authorities. I would like to shortly introduce one model of fruitful cooperation, which has been established in North-Rhine Westphalia, Germany.

The federal state used the opportunity to create a connection between cities and their Managing Authorities through a regional programme on revitalisation of deprived neighbourhoods ("Soziale Stadt"- "Socially Integrative City"). Within the regeneration programme, the cities as well as the Ministry for Transport and Building NRW -responsible for integrated urban development funding- recognized the need to intensify the exchange of experience and know-how in the context of the urban regeneration programme. Thus, they decided to create the platform "Städtenetz Soziale Stadt Nordrhein-Westfalen" (City Network Socially Integrative City North Rhine Westphalia) e.g. in order to ease the dialogue among all cities with the Managing Authorities. 35 cities and 61 neighbourhoods are organized under this roof.

The network has an official cooperation agreement with the Ministry for Building and Transport of North Rhine-Westphalia, which includes regular contact between the cities and the ministry especially, with the department responsible for integrated urban development. The agreement also includes the involvement of the county level, responsible for approving the regeneration programmes. Therefore, the meetings are joined by principle players ranging from representatives of urban quarters up to the regional ministry. One network representative is a permanent guest at the inter-ministerial ERDF-project-selection-committee, which reflects and decides on programme planning and implementation. This structure is a successful way of involving the cities' voice into the decision making process.

The network is dealing with the development of deprived neighbourhoods which implies various measures for the development of the local economy and act as a suitable model for further development towards the SME support. The reality in many EU countries for business support measures is that the Managing Authorities have direct access to public finance, whereas the cities have the advantage of proximity to the businesses. The key to success of SME support should be based on the combination of both stakeholders and their specific competences.

Brigitte Grandt is working for the Development Agency of the City of Duisburg (EG DU Entwicklungsgesellschaft Duisburg) and is Lead Partner of the Urbact Fast Track Project RegGov, which focuses on the cooperation models between cities and their regional authorities for the implementation of policies on deprived neighbourhood development.



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)

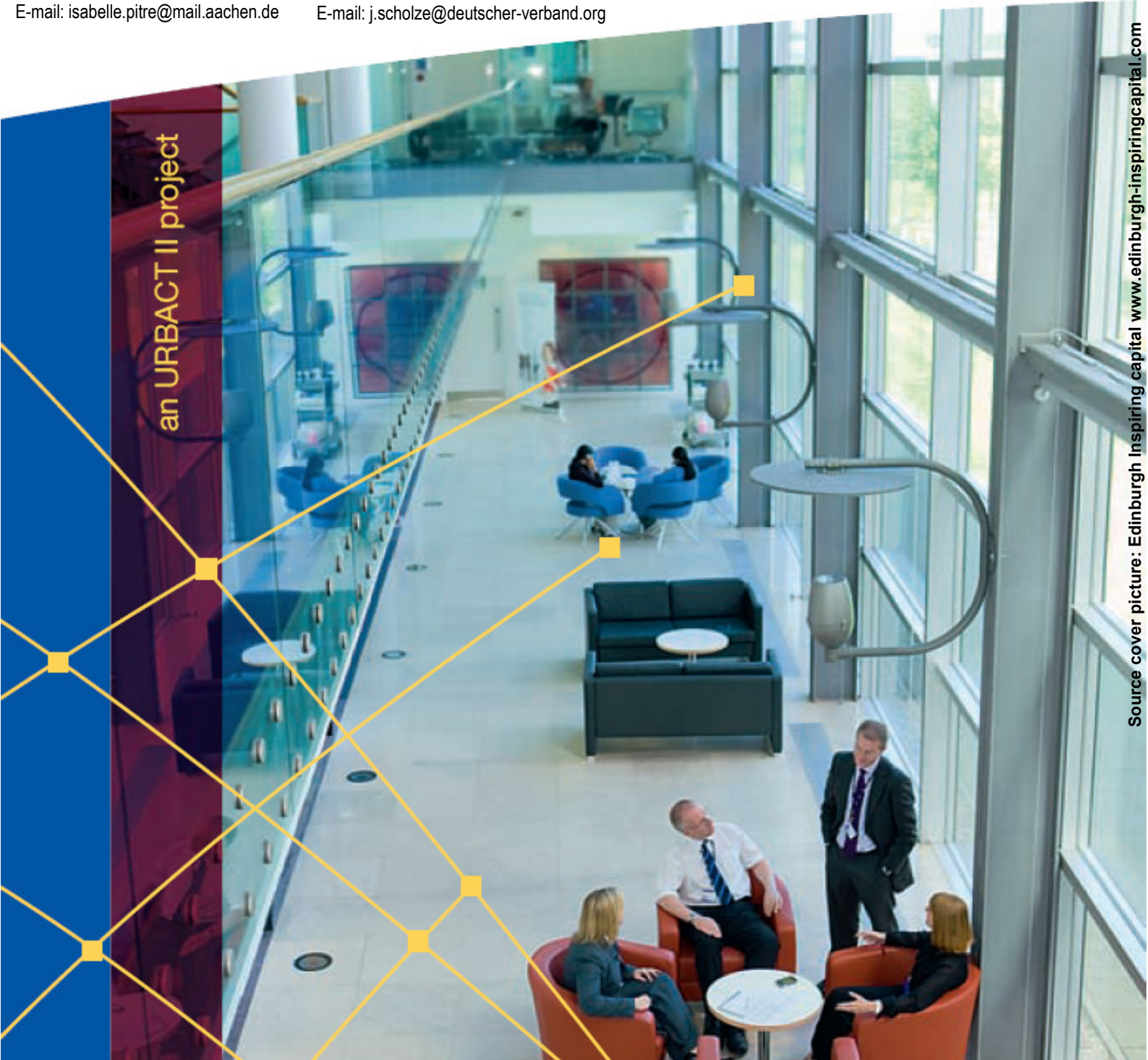
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