



FIN-URB-ACT

FIN-URB-ACT Executive Summary



an URBACT II project

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European Union
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Connecting cities
Building successes



Editorial

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

When the eleven partners launched the project FIN-URB-ACT in 2008 the financial and economic world looked different. During the last 24 months, the events on the international financial markets, the rescue programs of governments, and the growing uncertainty about the effects of this financial turmoil has, unfortunately one must say, proven that the project FIN-URB-ACT dealt 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 local reality?

Targeting these questions, our work during the last three years was affected by the appearances and the consequences of the worldwide economic- and financial crises with major impact for cities and its support structures for SMEs. And it has shown that our main topic - integrated urban action for fostering and financing innovative economies and SMEs - was never so important than today.

Retrospectively, very good results can be observed in the various partner cities. New structures have been created and older ones could be strengthened and modified. The administrative cooperation between the municipalities and managing authorities has widened the horizon for new collaboration possibilities. In addition, this special cooperation allowed for interesting insights into various forms of organization in the respective partner cities.

Besides these structural experiences, projects on the European level also create a feeling of togetherness, a feeling of being one European Community that is able to commonly face future challenges. At this point I will underline the importance of URBACT as the governing program of this project. Since the introduction of the Lisbon strategy in 2000, the urban dimension of territorial development has gained in importance in the programs of the European Union. Urbact, as a program specially designed for the exchange between cities, is emblematic for this growing perception of the role of cities for the future of Europe.



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FIN-URB-ACT

Integrated Urban Actions for Fostering and Financing Innovative Economies and SMEs

The Main Idea of FIN-URB-ACT

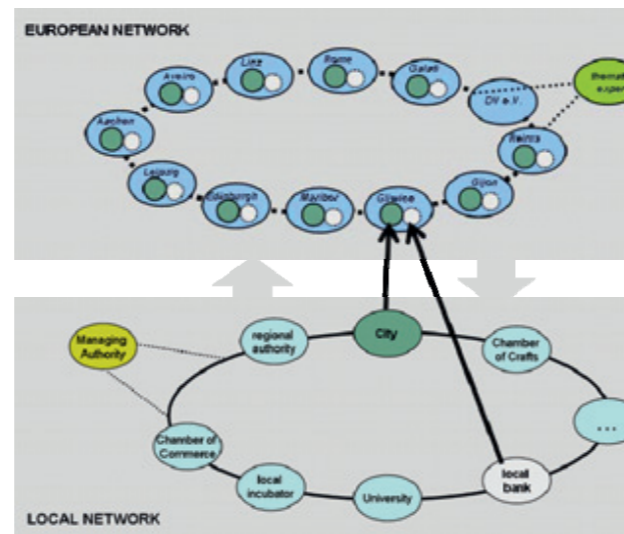
FIN-URB-ACT addressed the theme of efficient and targeted local financial support structures for SMEs and innovative urban economies. The conviction of the project was that efficient structures on local level - where financial instruments meet non-financial assistance - can ease the access to finance for SMEs as a basic condition for fostering start-up and business growth. The basis of this support structure was a broad local partnership between key actors for SME support, such as local authorities, finance institutions, chambers and other business representatives, professional business support organisations, universities as well as qualification and training institutions. The main idea of FIN-URB-ACT was that it is not enough to create individual support tools. Moreover, the aim was to combine offers into comprehensive packages and to orchestrate the single actors in a way that synergy effects can be achieved and tasks can be streamlined and at the same time various groups of entrepreneurs with different needs and expectations can be reached.

As SME policies are generally organised at higher administrative levels - with most funding sources for SME support available on regional or national level - many opportunities for financial and non-financial support do exist outside the direct access of cities (e.g. funding schemes financed from EU Structural Funds). Unfortunately, these are often not well connected to local economic development policies. They concentrate on general financial and economic logistics, without taking specific local economic contexts and potentials as well as existing local support structures into account. There are important gaps in linking local economic development with overall SME and regional/structural development policies. Hence the challenge for cities was also to elaborate concepts to make best use of existing support instruments adapted to the needs and potentials of their local enterprises.

FIN-URB-ACT - an URBACT II Project

FIN-URB-ACT was co-funded by the URBACT II programme, 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. Under this programme, FIN-URB-ACT gathered cities from all over Europe that wanted to improve the performance and results of those local support partnerships by European benchmark, exchange, learning and capitalisation as well as by respective concrete local actions.

According to the URBACT II main principle the network acted on two levels: based on integrated Local Action Plans developed by the local partnerships (Local Support Groups), the project focused on developing and implementing tailor-made financial and non-financial support services, like one-stop-shops, micro-credits and other innovative funding schemes, incubators, business networks, SME surveys, mapping of existing support offers, information and training facilities. On a



European level the FIN-URB-ACT network gathered, compared and reflected the local experiences for developing common best practices and conclusions for financial and non-financial SME support structures and instruments. On local level concrete urban networks between cities, financial institutions and other local actors were set up in the broadest possible way, in order to meet local needs when creating or bringing together financial and non-financial instruments. Also other SME related actors such as chambers, local banks or business representatives as well as research and training institutions as e.g. universities have been included into the local partnership.

The FIN-URB-ACT Partnership

The FIN-URB-ACT partnership was composed of 11 partner cities. The City of Aachen in Germany took the lead part in the network. The other cities were Aveiro (Portugal), Edinburgh (UK), Gijón (Spain), Gliwice (Poland), Galati (Romania), Leipzig (Germany), Linz (Austria), Maribor (Slovenia), Reims (France) and Rome (Italy).



Additionally the project was accompanied by the Lead Expert Patrick Fourquette, and the German Association of Housing, Urban and Spatial Development which acted as thematic coordinator. Moreover, the project was supported by the German and the European Savings Banks Association. The partners came from ten different countries spread all over Europe - with Edinburgh and Rome farthest North/South and Aveiro and Galati on the most Western/Eastern part of the European Union; five are located in convergence and six in competitive regions according to the classification of the EU Cohesion Policy. The cities showed an interesting mix of different sizes and economic structures. Most cities are bigger cities ranging from 300,000 (Galați) to 75,000 inhabitants (Aveiro) but constitute all important economic and functional centres for their regions. Only Rome (2.7 million inhabitants), Edinburgh (460,000) and Leipzig (500,000) are larger agglomerations holding also functions of national importance.

With the exception of Edinburgh, having an important number of bigger companies in the financial and service sector, in all other cities SMEs play a major role in their business structure, and for most cities it is especially the small and micro businesses as well as start-ups that characterise their local business community.

The main challenges and difficulties they wanted to overcome with future activities mainly concerned two different issues:

- **Insufficient access to financial and non-financial services for SMEs:** Although in some cases there is a broad range of SME funding and advice offers, those are often not easily accessible for local entrepreneurs. Sometimes this is due to the complexity and lack of information and orientation; sometimes SMEs do not have the capacity and know-how to

apply; and sometimes existing offers do not really target the local business community with its specific structure, needs and requirements. So quite often there are deficits for business niches or for specific enterprises, especially the very small and micro companies. Quite often there is start-up support, but not for the consolidation phase or for business transfers.

- **Deficits in specific advice and counselling services:** this concerns on the one hand targeted advice and mentoring of start-ups and self-employment for easing their access to financing and enhancing the success rate (e.g. by follow-up monitoring after granting micro-loans) as well as more specific consultancy and advice for more innovative start-ups which is important to enhance their innovation capacities and access to new markets and technologies. Especially the second issue often requires very specific expertise which is not available by “normal” business advice services.

Thus, the main challenge in terms of SME support for all cities is to really target existing support to local needs. This is described in the work groups.

The FIN-URB-ACT project was conducted in two phases. The first phase was the development phase that included the composition of the respective Local Support Groups and the setting of Local Action Plans (04/2008 to 10/2008), and the implementation phase with active work on local level and eight European network meetings, hosted by partner Cities, conducted from 10/2008 to 04/2011. During this phase the single activities of the Local Action Plans have been prepared and sometimes even implemented. During the work meetings on European level, the topics focused on four main work groups: Cities and Managing Authorities, Small Scale Projects, High-Tech and Innovative Projects, and Communication. The conclusions of these work groups are detailed in later chapters.

The budget

The following table provides an overview of the financial contribution for the project both by the cities and the URBACT Secretariat for the development phase:

URBACT II Operational Programme - FIN-URB-ACT													
TAB. 1.1 - FINANCIAL CONTRIBUTION BY PARTNERS AND SOURCES													
BUDGET ONLY FOR PHASE II - IMPLEMENTATION PHASE													
Source	Lead partner Aachen	Partner 1 Oyon	Partner 2 Olevoce	Partner 3 Osaka	Partner 4 Munster	Partner 5 Esztergom	Partner 6 Leipzig	External partner D/F	Partner 8 Lux*	Partner 9 Paris*	Partner 10 Roma*	Partner 11 Aveiro*	Total
ERDF (URBACT)	54 660,00	54 100,00	36 100,00	36 100,00	36 100,00	48 600,00	57 600,00	0,00	48 600,00	48 600,00	48 600,00	57 600,00	494 660,00
City	23 340,00	13 525,00	9 025,00	9 025,00	9 025,00	17 400,00	14 400,00	0,00	17 400,00	17 400,00	17 400,00	14 400,00	162 340,00
Sub-total 1	77 800,00	67 625,00	45 125,00	45 125,00	45 125,00	65 000,00	72 000,00	0,00	66 000,00	66 000,00	66 000,00	72 000,00	656 800,00
Private co-financing (EU FP)								6 000,00					6 000,00
Total	77 800,00	67 625,00	45 125,00	45 125,00	45 125,00	65 000,00	72 000,00	6 000,00	66 000,00	66 000,00	66 000,00	72 000,00	662 800,00

Work Group I: Cities and Managing Authorities - A Pathway to Partnership

Following the methodology prescribed in URBACT II, and the recommendation of a previous URBACT project on access to finance for SMEs (ECO-FIN-NET), the partner Cities of FIN-URB-ACT put emphasis on developing solid partnerships with their Managing Authorities. They dedicated a specific work group on this subject to exchange their experience on this approach. Several MA decided/accepted to take part in the network meetings and their contribution always was very valuable. Incidentally, they also took advantage of the network meetings to exchange experiences with their colleagues of other regions/countries.

Financial support to SMEs requires access to funding

It is obvious to state that if the Cities decide to provide financial support to their SME communities, they have to secure access to funding. But it is not in the usual competences of the Cities to provide funding. As a consequence they need to look for other sources of finance. In fact the principal sources of public funding lie at regional or even national levels. This is the reason why the relationship with MA was of particular importance for the Cities.

Cooperation between Cities and Managing Authorities is mutually fruitful

For the partner Cities, the cooperation was clearly aiming at accessing various sources of funding that could be made available for the development of the local businesses, to generate local economic development. But for the Managing Authorities, the cooperation also had several advantages:

- The integrated projects prepared by the Cities involve a vast number of stakeholders in a single application for funding: for the MA, this means a more efficient use of human resources for advising and monitoring the projects than with a larger number of smaller applications.
- Information on the funding programmes can be coordinated and delivered to a larger number of stakeholders in a more efficient manner.
- Cities are public entities, submitted to strict control procedures, which ensures a certain level of guarantee on the quality of the projects' implementation. But it had to be made very clear since the very beginning of the projects that for the MA, participating in FIN-URB-ACT did not mean automatic approval of the resulting applications for funding. There must be no ambiguity about the possibility for both partners to keep their independence.

Lessons learned in FIN-URB-ACT

Cities should carefully identify the Managing Authorities and implementing bodies

Corresponding to their project, for SME support, the City of Galati finally identified three entities (for Integrated Regional Operational Programme, for Competitiveness of Economy and for Environment Protection) and the new programme for the Lower Danube Region may bring in a new entity.

Additionally within the MA, two levels need to be considered by the Cities: the design and the implementation of the support measures; in some cases, some capacity building can be required for the Cities' staff in particular to better understand the project funding conditions, especially in the case of structural funds. For this purpose, the Cities of Gliwice and Reims in cooperation with their MA have organised information sessions for their staff and the local stakeholders within the LSG.

It is the role of the Cities to take the first steps in contacting the MA for a new project

The Cities played a role of local coordinators in the projects; thus it was their role to inform the MA about the preparation of the new projects and collect the remarks from the MA, so that the projects could be designed in a viable manner. It is strongly recommended that this initiative be supported by the City hierarchy, all the better when some elected members are involved, such as in Aveiro, where a strong leadership was clearly evidenced, or in Maribor, with the project of revitalisation of the historical centre.

The respective roles of Cities and Managing Authorities

In order to build a fruitful cooperation, the respective roles of the Cities and the MA should be made very clear:

- The Cities are in charge of initiating the projects, forming the LSG, coordinating the preparation of the applications and coordinating the implementation of the projects. With their local legitimacy and their public status, they play a pivotal role in building integrated projects.
- The MA can provide information and advice on the most suitable source of funding; in some regions, they can play a role of "brokers" for public funding. With their regional position they also have the capacity to give the required critical mass to some local projects by putting them together with similar projects in other cities. This was the case in Edinburgh with the ESIF (East of Scotland Investment Fund) combining nine local authorities, or in Leipzig with the possibility of pooling at regional level the technical expertise required for a cluster.

Managing Authorities partners in the Local Support Groups

No clear position could be taken on whether the MA had to be members of the LSG. Some MAs decided to become a member (important): in Aveiro, they were associated in the process of preparing the comprehensive support scheme "Aveiro Empreendedor"; in Rome, where part of the project consisted of preparing coordinated actions between the City and the MA at regional level, the MA had to be a member of the LSG; in Galati, the project was sometimes used as a test for the adequacy of support measures funded by the MA, so naturally the MA were closely associated in the LSG, and now this LSG progressively turns into a form of regional "think tank" for SME support (with the participation of other cities in the Region).

Other MAs followed the projects but did not wish to be involved as members in the LSG; they preferred to keep a more neutral position like in Gijon with the local Venture Capital Fund, or in Reims, with CREAREIMS, the network for local support to entrepreneurship. Finally, in Edinburgh, the MA took an intermediate position; they were an active member of the LSG, welcomed Edinburgh's idea of setting up a loan fund and gave it a supra-local dimension and critical mass by associating eight other local authorities by keeping their neutral position at regional level.

In all cases, whether or not the MA decide to become members in the LSG, it is important that the Cities build regular links between the LSG and the MA, as it undoubtedly is a strong source

of motivation for the LSG members who can see that their projects are really taken into consideration.

Relationships with the MA should be made official

It is natural that the first approach be initiated by the persons who are in charge of the projects. But experience in several Cities showed that persons may change their positions in the Cities or in the MA, and this should not jeopardise the projects. To prevent this risk, the FIN-URB-ACT Cities recommend that, at a certain stage of project development, a formal covenant be signed between the City and the MA, at least for the duration of the project. For instance this has been successfully achieved in Reims and Rome, with a letter of intent describing the content of the cooperation. Additionally, it clarifies the situation and relieves the staff in charge of the project implementation from a responsibility they cannot bear for a long time.

The “alibi” dimension of the FIN-URB-ACT project

FIN-URB-ACT was often used as a good alibi to test a new approach of projects by both parties, the Cities and the Managing Authorities. When initial rules had been designed separately by the local and the regional levels, it gave an opportunity to build (or rebuild) connections between these levels. For instance, in Galati, cooperation between the City and the MA was normal procedure, generally for projects concerning infrastructures, but it had not been applied to supporting SMEs, where a large number of local stakeholders are involved. The same situation prevailed in Aveiro, Gliwice, Reims or even in Rome, where there was an urgent need to coordinate support actions between City and Region and eliminate redundancies.

This “alibi” dimension should not be underestimated and Cities in the URBACT projects should take full advantage of it. Of course it just needs to be played once as it can be capitalised locally for the future. Aveiro for instance is planning to use the same method for all the projects they will be in charge of.

Work Group II: Financial Support to Small Entrepreneurial Activities

Several Cities in FIN-URB-ACT (Aveiro, Edinburgh, Galati, Gijón, Gliwice, Leipzig, Maribor, Reims and Rome) decided to work together on this issue because:

- it directly concerns the residents who think of making additional income or/and to make it their main activity; for some of them it is the only way to be part of the labour market,
- the private sector is not very interested in this segment as it is hardly profitable (at least at the beginning of activities),
- in some countries there may be an abundant provision of public support but the entrepreneurs declare that they cannot know or assess all the possibilities and ask for some form of coordination.

Supporting businesses is not the usual competence of the Cities; they generally lack expertise, they have no specific financial resources and, as public entities, they should be extremely careful not to be considered as involved in the management of private businesses with all the detrimental consequences in case of difficulties.

In this case, the integrated approach of URBACT, giving a coordination role to the Cities within a local network of competent actors, makes sense. The work group analysed such topics as mapping public support available locally, coordinated information points for the entrepreneurs, and analysed local business expectations in terms of financial support. They also analysed the operation of some financial support instruments that they intended to implement.

In particular, they prepared a common questionnaire that they used for surveys on their local business targets. Seven surveys¹ were conducted by the Local Support Groups; interestingly, although one could expect similar outputs since the requirements of the small businesses are supposed to be similar everywhere, the outputs were different. In fact these surveys gave a picture of the perception of the local realities by the businesses, and these realities are different. In this sense these simple surveys are an interesting instrument to fine tune the local support measures and the partner Cities in FIN-URB-ACT would recommend conducting such surveys as starting points for the preparation of a LAP:

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

- they can be precisely oriented to the subject to be analysed (here financial support),
- they can be precisely directed to the targeted businesses (some Cities decided to focus on start-ups, others covered all the small businesses),
- the outputs can easily be appropriated by the LSG members to coordinate their actions, and they represent a sound evaluation of the initial situation. Incidentally, the survey in Galati was also used to redesign some measures during the mid-term evaluation of an OP.

The Cities prepared two types of actions:

a) specific financial instruments:

Leipzig implemented a micro-credit fund. It is run by the Municipality with technical contributions of the local chambers. Financially, Leipzig did not set up this fund with their regional MA, but took advantage of an existing support scheme implemented at national level by KfW with contribution of the European structural funds (national OP for the ESF). They made use of a dual leverage effect: the City financial contribution was increased by the local savings bank and this local capital was multiplied by five by the national contribution of KfW, which results in a total lever of eight times the capital invested by the Municipality. This factor easily shows the advantages of partnership!

Edinburgh initiated a local investment fund, but their MA realised that this instrument would be much more efficient if it had a larger critical mass; so they enlarged the fund operation to eight neighbouring local authorities and they drew on existing management expertise to increase efficiency and reduce management costs.

Gijón started the operation of a municipal venture capital fund aimed at supporting the development of high potential businesses and at securing their location in Gijón.

b) coordinated action plans to support local small businesses

Aveiro and Galati prepared comprehensive action plans to support entrepreneurship locally. Rome, Gliwice, Reims and Maribor have a more focused approach: Rome realised that their action should mainly comfort newly created businesses so that they can successfully pass their first three years of operation; Gliwice reorganised their information system for SMEs - together with the LSG members, they prepared a map of the instruments available in the Region for SME financial support and they built a new data base that they will publish on the Municipality website (thumbnail dedicated to entrepreneurs and investors); Reims redesigned their communication towards new entrepreneurs; while Maribor is preparing a revitalisation plan

for the historical centre of the City with the modernisation of the small businesses in the commerce and craft sectors.

At the end of FIN-URB-ACT, some Cities realise that one of the requirements of many small businesses is about a real one-stop shop, which means a coordination of the local actors not only for the registration of new businesses, but for the entire life of businesses. In fact they wish every business could have one advisor chosen among one of the support organisations who could coordinate with the other support organisations to efficiently advise on a whole range of services. It is a difficult subject but if there is a solution to it, it probably is related to the operation of a LSG.

Work Group III: Financial and Non-financial Instruments for High-tech and Innovative Projects

All cities are interested in having a strong development of innovative and high-tech projects and businesses in their region; high growth potential, a link with the economy of the future, attractive activities and jobs, positive image are some of the advantages that mean 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. Within FIN-URB-ACT this work group concentrated on complementary financial and non-financial instruments and service packages that contribute to the development and growth of high-tech and innovative businesses.

Targeted access to finance for high-tech and innovative SMEs

Theoretically the Cities have the possibility to intervene at each stage of the process. But it is usually not the responsibility 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 in their region. Usually Cities concentrate on their traditional roles and tasks and do not normally get involved in the business themselves, but ease the environment for business support. However, it was proved by a comprehensive feasibility study of the city of Gijón, that a Municipal Venture Capital Fund can act as a strong vehicle to support innovative businesses. The VC Fund is a mandate of the “GijónInnova” agreement achieved by the City Council and social stakeholders (business associations, trade unions) aimed at defining and implementing local policies on Economic

Development and Employment. It is intended to be the most powerful tool to support innovative, high added value projects. The Fund is 100% local capital (City funded) and it will serve as a complement to regional and national instruments, which are already operating.

Start-ups need comprehensive support packages

Start-ups need comprehensive support packages including non-financial support mostly based on coaching/mentoring on technical (related to the business fields) and non-technical subjects (legal, marketing, patents, sales) and administrative services, financial support covering all the development phases of the project but mostly the initial phase with small and flexible seed capital, a good connection with bank(s), with public support schemes (at national and regional levels) and with private investors (business angels, venture capital funds). Business angels cover both dimensions of support: obviously financial support, as they can consolidate equity (which is a funding source with a high leverage effect), but also non-financial support as they very often are good specialists in their investment sector(s) and they have expertise in preparing acceptable business plans. Comprehensive support packages were studied by the City of Gijón that is running the programme “GijónInnova”, where comprehensive funding and advice services being provided by local stakeholders or “Aveiro Entrepreneurial”, a comprehensive SME support package covering the fields of incubation, SME support, fostering entrepreneurship in schools and fostering entrepreneurial culture in the City of Aveiro.

Universities can play a decisive role in fostering an entrepreneurial attitude among students

Universities are in a position that enables them to teach the students and demonstrate to them that becoming an entrepreneur can be an option for their future. They also need to have the capacity to deliver basic comprehensive support packages to their entrepreneur students. They are expected to be able to bring in technical expertise that is critical in high-tech/technological projects. In this latter role, they often are the main source of expertise. That is the reason why their role is so important, as they are in a position to support the new entrepreneurs in assessing their technical risk correctly and to give them confidence in their projects. One important condition for this to be possible is that some teachers are entrepreneurs themselves or at least are open to entrepreneurship. Common counselling programmes of entrepreneurs coming from the practical side in combination with academics from the university has been established: e.g. the City of Aveiro via the PREBIZ programme or the Edinburgh Technology Transfer Centre (ETTC) which provide an important bridge between university laboratories and research institutions and the business world.

Not all high-tech projects need highly sophisticated support instruments

What has been seen in nearly all Cities is that, apart from technical expertise (which can be a complicated subject but which is traditionally expected from technical universities), many high-tech projects only need basic support during their start-up phase, such as small premises with cheap rent, administrative services, small initial funding, basic legal, accounting and financial advisory services. These projects generally form the majority of local start-ups. Cities should make sure that these basic services are also available locally, without useless (and expensive) sophistication.

Development of strategic alliances

The City of Linz has developed a mapping methodology of existing support facilities, indicating the particular position of each service provider in a comprehensive SME support infrastructure and finding gaps within this structure. An intense exchange among all stakeholders has shown that the perceived competition among the stakeholders can be limited by strategic alliances, as it was recognised that there is a lower overlap of core competences than expected. The model is applicable to further Cities, like the City of Aveiro, which has tested the same methodology and the City of Gliwice, which intends to develop a similar process based on the same model. In order to establish interlinked alliances a long process of setting trust among the single stakeholders is a precondition. In the next step those alliances should be formalised to reach a necessary stability that is strongly needed by start-ups. Though efficiency, confidence and stable cooperation among stakeholders need long time to be established and constant meetings and a strategy to keep the networks alive needs to be elaborated. Cities can play an important role, as they can act as an important and necessary node. Consequently the competition among the single actors is lowered and a more specific and targeted advice and support can be provided.

Development of a critical mass for efficient support

Local support programmes require impressive funding that may look out of reach for many Cities. Thus a critical mass is needed to support innovative sectors efficiently. The City of Edinburgh provides a comprehensive complementary support infrastructure for innovative projects and forms an important cluster in particular for SMEs from the sector of life science. It is characterised by a strong interface between academic facilities, businesses and physical

and virtual incubations that are centred around critical masses. An open innovation process among private and public stakeholders could be established. Such open innovation process is characterised through a high flow of tacit knowledge through various forms of cooperation ranging from loose networks up to contractual agreements of knowledge exchange among businesses, experts and educational facilities. In Spain, GijónInnova is a very comprehensive programme for innovative/high-tech sectors in Gijón. There, the supported sectors have been carefully selected in relation to the local strengths and the supported businesses have been targeted in a complementary approach with the region, so that overlaps are avoided. The City of Aachen is following a cross-border clustering project between Germany, Netherlands and Belgium, which is called TTR ELAt. In any case clusters seem to be the founding stone for efficient support activities. Therefore, the suitable territory to form these clusters with a significant mass can be found locally or within neighbouring regions.

Detection of promising projects

In order to find good projects with a clear chance to get access to funding through e.g. loans, business angels, or venture capital a careful assessment process is needed. Particularly, highly innovative projects cannot be simply regarded as normal businesses, but more as projects in a complex development process. The high-tech incubator tech2b in the City of Linz therefore successfully uses the *Stage - Gate* process. This process is combined with comprehensive awareness campaigns and targeted scouting in local innovation networks, which are necessary preconditions coordinated by the City of Linz and the local stakeholders for SME support.

Access to expertise through external expert pools

Access to funding also requires access to various sources of expertise. While cities often provide well-endowed incubators, there is sometimes a lack of necessary expertise within such facilities. Thus training and technical assistance should be provided by external expert pools and specialist institutions. Such a programme has been developed in the City of Aveiro with *Bizness PREVIEW*. Within this programme advice and business conception as well as supervision of the implementation of new businesses by the stakeholders from university and external entrepreneurs are provided, in order to offer academic and practical guidance in a mutual fertilisation process for start-ups. The TTR ELAt project provides a pool of experts with an additional budget. The experts for innovative and high-tech projects need to be very close to the technology questions but at the same time they need to be experts on transferring research achievements into concrete projects. In addition, the attraction of external expertise depends on the cluster visibility, and thus reaching a critical mass is a crucial issue. Support for high-tech projects is far more complex in the sector of bio-technologies, where the critical

mass for a cluster could be reached in Leipzig, the City in partnership with the savings bank, which has set up an ad-hoc organisation “Bio-City Leipzig” aiming at gathering local expertise and at providing a framework for the local network of research and local enterprises.

Work Group IV: Communication on SME Support

Designing efficient support instruments is a good achievement, but the real goal is to design support instruments that are actually demanded and used by businesses. Thus, the crucial point of this working group was to elaborate and to show possibilities on how to spread the activities on SME support and how to communicate the offers effectively to the SMEs. The difference lies in the quality of visibility and in the communication policy at local level. 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” are needed.

Within FIN-URB-ACT all Cities had a strong communication plan. The Cities have shown during the common work meetings that communication is one of the strengths of the daily tasks of the municipalities. They mostly have the capacity for communication and they have the capacity to put all local actors together. Different examples of day-to-day information and overall communication campaigns in e.g. the Cities of Edinburgh, Galati, Rome, Leipzig, Reims, Aveiro, Gliwice and Linz have been discussed.

External communication

External communication has to be done in order to reach various target groups, such as the business community and their representative organisations, the supporting organisations and the decision makers at higher level. In fact nearly all Cities had the experience that potential investors (in particular coming from outside) or entrepreneurs might be lost in an unclear labyrinth of information on diverse support facilities and services, products and events, as much valuable information co-exists without being really interlinked. An increasing use of web pages has been revealed as a valuable communication tool.

The City of Aveiro has created a communication strategy as part of the comprehensive SME support package “Aveiro Empreendedor”. Within the communication strategy a webpage as virtual helpdesk is being installed. Hence, Aveiro will use a one-stop model virtually in interlinking the ramification of diverse support facilities in a clearly arranged and thus more fruitful way in the form of an “integrated webpage”.

In order to raise the visibility of the support infrastructure the City of Gliwice created a website on the model developed in Edinburgh and they work on a Local Information Point in Gliwice, which will be placed in the Municipality Office. The information provided by the Information Point will be connected with a map of the public support scheme, as the SME survey that has been conducted in the City has shown that entrepreneurs need clear guidance in finding respective support facilities and experts providing the services needed.

In order to counteract those shortcomings the City of Linz has developed a mapping methodology to provide clear visibility of the local support facilities. An important outcome is a founders' compass (Gründerkompass) that provides a comprehensive overview of local services targeted to particular needs of each stage of the SME start-up phase.

The City of Rome has established a service that expects to send an e-mail to any new company just registered to the Chamber of Commerce, in which they thank the company for having opened an office in the Lazio Region and inform them about the current public and private instruments supporting the development of SMEs (e.g. Guarantee funds, VC funds, non-financial public services etc.). At the end of the mail it can also indicate the dedicated person and/or contacts, links, as well as a "hotline" dedicated to new companies.

Having set up the ESIF the communication by the City of Edinburgh is interlinked with an overall communication platform dedicated to business start-ups - the Business Gateway. It can act as good practice for external communication. The City is involved in the Business Gateway network, calling for expertise from the local Chamber of Commerce and other partners and profiting from the benefits of a regional/national network (quality, visibility, communication, support), which has reduced costs and improved know-how.

Within FIN-URB-ACT the City of Reims has put a strong focus on communication campaigns of the network CREAREIMS. This network unites all local stakeholders involved in business creation under the coordination of the Municipality. A survey by an external consultant has shown that there is also a strong need also for self-promotion of such a network. Consequently a common brand was developed and various events and communication tools have been prepared.

Internal communication

Internal communication of SME support tools needs to be done within the Municipality departments, so that the SME dimension is considered when measures affecting the businesses are envisaged. In the early stages the communication strategy of the Leipzig Microfinance Fund

was directed towards the commercial banking sector. The aim was to better induce banks into providing micro-financing. Banks were approached with the request to provide financial contributions to the fund and to support the decision process on individual loans. Consequently the communication to local politics became more important. The aim was to receive the consent of the City Council to establish a micro-loan scheme and to reach a decision on funding for micro-loans. The City Council endorsed the FIN-URB-ACT project with a clear majority and unanimously agreed on the micro-lending scheme and on providing local financial support to the fund. Also the City of Gliwice focused on internal communication within the Municipality in order to raise awareness of SME support.

Discussions within the FIN-URB-ACT Local Support Groups have shown that in addition to municipalities, internal communication among the different stakeholders of the local SME support community is needed. The City of Linz and the City of Aveiro made this experience during the process of the mapping. It was a long process and careful negotiation with all related stakeholders was needed, when discussing the different positions and the respective tasks of each actor within the local SME support infrastructure.

Put raising awareness under umbrella events

The second strategic idea to use communications synergy effects is by using bigger events as overall hook to organise smaller events related to the same topic or area. So far, different events have often been carried out separately, like ones on suitable financial instruments incubating companies need to be competitive. Aveiro used the European SME Week 2010 and provided four different events carried out mutually by the members of its Local Support Group. The approach is similar in the City of Linz. They used the European Year of Creativity and Innovation and Linz as a European Cultural City 2009 to boost the creative industry sector in the city. The particular stakeholders might be more suitable for diverting people to local events and to attracting more potential stakeholders to contribute (reach critical mass) by exploiting these kind of umbrella events.

Teaching entrepreneurship

Moreover, communication issues included the task of teaching entrepreneurship and raising awareness among young people in order to show that being an entrepreneur can be a good opening and chance for future professional life. The City of Aveiro is involved in the comprehensive support package "Aveiro Entrepreneurial", a tool to teach entrepreneurship in

secondary schools. The City of Gliwice and the City of Galati started to cooperate with local academic institutions. Teaching entrepreneurship is efficient, if there is work on cases closely linked with local reality. The opportunities exist or may be implemented locally and students are taught through real life examples.

If students are connected with the local support organisations it means that their projects will normally be rooted locally and will develop locally if they are implemented. If cities support teaching programmes, they will wish that these programmes have local outcomes and this may be a way to guarantee that teaching programmes have positive returns for the local economy.

The experience made in FIN-URB-ACT, however, has also shown that close cooperation with universities is not always given. An academic institute is mostly tailored to one person (a professor). If this person it is not willing to cooperate or is simply not interested in an integrated approach it is difficult to install an exchange platform.

FIN-URB-ACT General Conclusions

All local action plans are different

All Local Action Plans carried out by the FIN-URB-ACT partner Cities are different: some concern the implementation of direct financial support to SMEs with technical instruments such as the municipal micro-credit fund in Leipzig, the municipal venture capital fund in Gijón or the East of Scotland loan fund in Edinburgh. Others are new coordinated multi-annual actions in favour of local SMEs such as Aveiro Empreendedor in Aveiro, the comprehensive programme submitted to the Managing Authorities in Galati or the programme supporting the consolidation of new businesses in Rome. Some Cities took advantage of the legitimacy given by an URBACT project to initiate a long lasting local partnership such as Gliwice with their coordinated information centre for local SMEs or Maribor preparing the feasibility of a revitalisation plan for the City historical centre. Finally, other Cities have improved their local governance methods: Linz has implemented a new method to assure coordination between the stakeholders who deliver support to local innovative SMEs. An interesting aspect of this method is that it is based on preparing a consensus among the local partners in the fields they cover respectively, and that it could be successfully transferred to another partner City (Aveiro); accordingly this method could be considered as a good practice. Aachen needed to consolidate a partnership with stakeholders located in two neighbouring Member States and is initiating a Euroregion, while Reims has redefined the operation of their local support network for new businesses.

But FIN-URB-ACT initiated a process of change

What is clear in all partner Cities is that the FIN-URB-ACT project produced significant changes with the initial situations; as a consequence the partner Cities evaluate their Local Action Plans (and their level of satisfaction) not in absolute terms, but on the process of change that was implemented locally since the initial situations were very different in all Cities.

Cities are focal points for local integrated projects

FIN-URB-ACT demonstrated that Cities have the capacity to prepare integrated projects, being a recognised, efficient and accepted coordinating partner:

- for the local stakeholders who became members of the Local Support Groups. In this respect Cities have built long lasting partnerships and they recommend envisaging two levels of involvement: a core group of local partners who will take part in all projects and ad-hoc partners who will be integrated when the subjects require it,
- for the Managing Authorities who generally appreciated this capacity to design and implement large scale projects, covering all dimensions of the actions, on a consistent territory, with all the local stakeholders. Additionally, Cities are public organisations, submitted to public control procedures and offering public guarantee. Few operators other than Cities have this capacity to build integrated projects with a territorial legitimacy and a public guarantee.

Partner Cities recommend that Managing Authorities be contacted in the initial phase of the project, but no definite position has been taken on the possible advantages of the Managing Authorities being a member of the Local Support Groups. Some Managing Authorities accepted being a member, others preferred to keep a more neutral position. But in all cases, the presence of the MA in the projects is an important factor that increased the involvement and the commitment of all other local stakeholders.

Cities must take the initiative

Generally the Cities took the initiative of contacting and involving the local stakeholders and the Managing Authorities; acceptance for this initiative was very favourable and all the partner Cities strongly recommend that Cities, who will play a pivotal role in the local projects, make the first steps in the direction of LSG members and the Managing Authorities.

Incidentally, FIN-URB-ACT sometimes was used as an “alibi” to contact all the partners as the project, with its official recognition by an “authority” at European level, gave legitimacy for this sometimes new approach. This alibi (where/when needed) was used just once, in the beginning of the local projects as the local partners immediately understood the potential benefits of this approach.

The Lead Experts, with their position of external “neutrality”, can also bring valuable contribution in these contacts, and the partner Cities recommend that the network experts be used for this purpose if necessary. The FIN-URB-ACT Cities would also recommend that the URBACT Secretariat and/or the national coordination units publish more information in direction of the MA on the necessity of participating in the URBACT projects. This does not

mean that the MA should feel obliged to accept/finance the LAP; it means that the LSG members would appreciate receiving some feedback from the MA.

Funding programmes must have the possibility to “accommodate” integrated projects

If the Cities have an appreciated capacity to prepare and organise significant integrated projects, the funding programmes should, correspondingly, have the capacity to cover, to “accommodate” such projects and this preoccupation should prevail at the initial stage when the funding programmes are designed. In this respect Cities recommend that they be consulted by the Managing Authorities in the initial stages of fund preparation so that they can express their views on the type of project that will come out during the next years. Various forms of consultation of the Municipalities by the MA have been considered in FIN-URB-ACT, more or less comprehensive, formal or case by case; no strict recommendation could be formulated on the geometry of this consultation process as situations can vary significantly in the regions in terms of size of cities, weight in the regional economy, relation with the hinterland ... but a “consultation platform” with the major cities in the Region could be an acceptable solution so that the funding programmes can include the urban dimension and the kind of integrated projects Cities can coordinate.

European exchange of experience

FIN-URB-ACT was not only an opportunity to design integrated Local Action Plans; it also was an opportunity to exchange experience between Cities of various countries, sometimes just to give evidence that different approaches are possible and allow for local innovation. A table of exchanges of experience has been drawn (document attached) and it shows how rich these exchanges were, between ALL partner Cities, coming from the former or the new member states. And it has to be noted that this table shows only part of the reality - exchanges between Cities - but there is no doubt that other members of the LSG also benefited from the contacts with other partners (when they had the possibility to participate in the network meetings). Representatives of the MA also indicated that contacts with their colleagues in other member states had been very fruitful and may lead to more innovative approaches in the procedures for fund management.

European labelling

Being a partner in a project recognised by a European programme is an additional dimension in itself; for some partner Cities, it gave legitimacy to contact local stakeholders to form the LSG

and convince them that they should take part in the project. It also legitimised the approach to the MA, for a new project with a new *modus operandi*. For some, it is an element of visibility at European level that improves (moderately) the image of the Municipality. But in all cases, internally it justified the expenses to cover some extra costs (even modest) that are not normally incurred in the daily operation of a Municipality.

It is interesting to note that this dimension of European labelling was very important in the beginning of the project but dwindled regularly, except for the financial aspects; this is the evidence that the methodology was completely assimilated and that its benefits became obvious for all.

Procedures can be simplified, particularly concerning the petty expenses that form the majority of the budget lines, there is a new possibility to use lump sums and per diem. This is even more evident if we consider that Cities as public bodies are already submitted to all forms of public control at various levels.

The URBACT II methodology is a good practice in itself

For most of the partner Cities involved in FIN-URB-ACT, the URBACT II methodology, the main characteristics of which are:

- initiative and coordination by the City,
- creation of a LSG for design and implementation of the project,
- participation of a MA,
- exchange of experience with other European partners,
- support of an experienced expert,

was innovative and resulted in unexpected outputs, especially if we refer to the modest budgets that were allocated initially. They all consider this methodology as a good practice in itself that could/should be used for many other projects of which the Cities are in charge.

Some aspects can be adopted easily: those with a local dimension. The formation of the Local Support Group and an early contact with the MA can be carried out easily by the Cities, especially once they had the experience of an URBACT project, as these aspects do not require “special costs”, i.e. costs that do not form part of the daily operation of the organisations.

For these actions, the Cities recommend that, at a certain stage of development, the relations with the stakeholders be “institutionalised”; at the beginning of the project they probably started on a personal basis, but after some time, in order to guarantee some stability and to make sure that the local project can be carried out successfully till its finalisation, these relations need to be confirmed and “officialised” by a covenant, at least for the duration of the LAP.

The European dimension requires more attention in terms of detection of partners in the other member states, selection of competent experts and coverage of costs for the organisation of the meetings in various countries:

- *detection of partners:*

The output of a network heavily depends on the contributions of each of its members. The partner Cities in FIN-URB-ACT consider that their partnership has been well balanced and successful. But they also realise that they were very lucky in their selection of the 11 partner Cities as this partnership was only based on very limited prospection, personal contacts, word of mouth... They recommend that some support tool be implemented by the URBACT Secretariat to facilitate the detection of possible partners based on transparent and objective criteria. They suggest that a “partnership” thumbnail be created on the URBACT web page, offering the possibility to all interested partners to publish a half-page advertisement with the main characteristics of the partner and the project they have in mind. Of course the use of advertisements would not be compulsory for partners nor would it imply any responsibility of the Secretariat.

- *selection of experts:*

The current system with the roster of accredited experts on the URBACT website seems satisfactory for the partners. It offers advantages in terms of transparency, number/choice of experts and simplicity of selection procedure.

- *coverage of network costs:*

For the approved projects, the network costs are covered by the partners’ contributions and by a subsidy. This subsidy has a dual dimension:

- it is the materialisation of the “good quality” of the project which internally gives legitimacy to taking part in this project: “soft” dimension,

- it covers costs that are normally not eligible to the partners' budgets (travel costs, organisation of meetings, expertise...): "hard" dimension.

After the experience of taking part in FIN-URB-ACT, the partner Cities would like to have the opportunity to set up a European network and implement the URBACT II methodology to find solutions for several problems they face, without being bound by the necessary rigidity of the URBACT programme, e.g. calendar of the calls, procedures, etc. In other terms, they wish this methodology could be mainstreamed. The "soft" dimension can be overcome in the hands of experienced professionals, the "hard" dimension requires an innovative procedure; the partners suggest that some investigation be made in the direction of forming networks of a tandem City/MA covering their own costs through the City contribution and a small local subsidy (in the budget line for technical assistance in the OP, for instance) so that each "tandem" would cover their own costs in the network and would contribute to the shared network costs in equal parts. This would ensure good motivation for Cities and MA to cooperate and would make the method very flexible in terms of calendar and choice of subjects.

In conclusion, for the 11 partner Cities, FIN-URB-ACT proved to be a very fruitful project, and its outcome goes well beyond what can be expected from such limited budgets. The added value concerned not only the technical aspects of financial support to local SMEs. It also related to changes in the relationships with the local actors, new understanding of the mutual dependency between local and regional levels, and it could become a test for the implementation of new forms of finding solutions with a European dimension.

ANNEX: Contact Details of the Partnership

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IMPRESSUM

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an URBACT II project

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

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