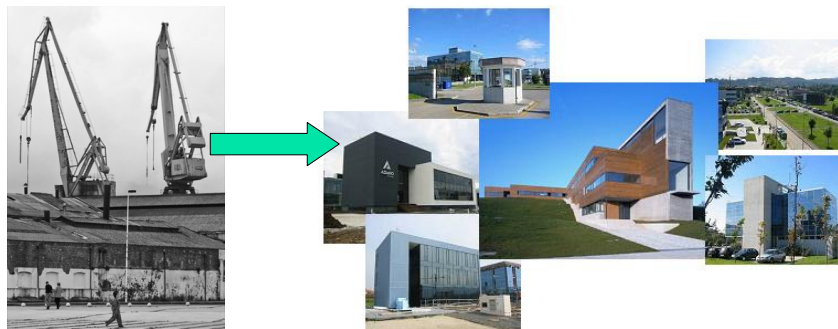


## Municipality of Gijón (Spain)



## The evolution of the productive system

With nearly 280,000 inhabitants, the city of Gijón is the 15<sup>th</sup> most populated town in Spain. It has been for centuries an industrial city but, having been one of the most important manufacturing centres in North Spain, the coal mines, coastal shipyards and huge steel plants have made way for new types of industries and services companies. Nowadays, the micro businesses and SMEs play the most important role in bringing jobs and wealth to the city.



## Main activities undertaken by the Municipality to support entrepreneurs and SMEs

The Municipality has made significant efforts to support entrepreneurs and SMEs on the following issues:

1. Consulting services for entrepreneurs and enterprises Legal and tax advice; economic advisory, technological assessment, assistance for creating the Business Plan...
2. Training for entrepreneurs.
3. Implementing a monitoring tool (in order to enable a permanent diagnosis about self-employment, micro-enterprises and SMEs).
4. Promoting better practices and tools to inform local enterprises about existing programs for entrepreneurial internationalisation.
5. Helping new business to come forward the market, by fostering the attendance and participation of entrepreneurs and SMEs in trade fairs and by organizing prizes and awards.
6. Meeting the need for new premises: incubator for new companies, new premises for creative enterprises, and for innovative and technological enterprises.
7. Strengthening links between consolidated and starting-up companies by creating Platforms of Entrepreneurial Development; this means that consolidated companies will act as tractors of starting-up innovative SMEs for development of high added-valued technological activities and services.
8. Supporting entrepreneurs and SMEs. in accessing funding, by:
  - Offering the various financial schemes already existing, and
  - Exploring new ways of supporting SMEs through projects like  **FIN-URB-ACT**



## Funding instruments for financing SMEs

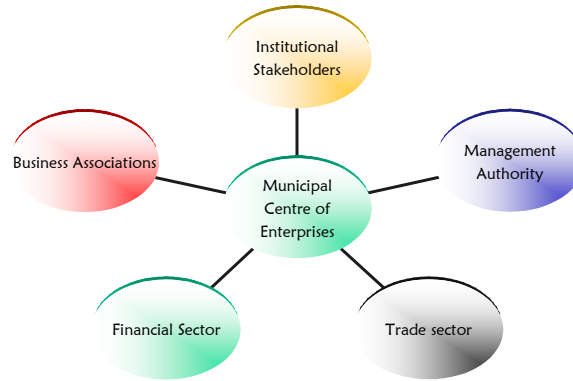
At the present time, there are several possibilities for financing local enterprises, from local, regional and national funds depending on factors such as the size of the enterprise, seniority, activity sector and purpose of the finance, etc. Thus, the municipality of Gijón uses several instruments for entrepreneurs, e.g:

- Micro-loans (no guarantee required);
- Financial grants for self-employment, for creating micro businesses;
- Equity financing: equity loans for innovative entrepreneurs;
- Guaranteed Loans/Credits through mutual guarantee;
- ICO (Official Credit Institute) schemes;
- Other specific grants:
  - refundable loans for re-Industrialisation actions;
  - subsidies for loan interests of cooperatives;
  - financial grants for R&D qualification;
  - aid to entrepreneurial investment projects in the Principality of Asturias (grant for loan interests, grant for interests of financial renting operations, Grant for interests of advance-credit schemes);
  - SMEs with projects over 100.000€ aimed at technological development and innovation may have funding from National entities: equity loans from the E.N.I.S.A. (National Company for Innovation), as well as financing from the C.D.T.I. (Centre for Technological and Industrial Development)
  - For the internationalisation of SMEs there are also several schemes from National entities such as I.C.O. (Official Credit Institute); I.C.EX. (Institute of Credits for Exportation); CESCE (Spanish Company for Credit Insurance for Exportation); and C.D.T.I. (Centre for Technological and Industrial Development)



**FIN-URB-ACT Local Support Group (1)**

Procedure to set up the LSG:



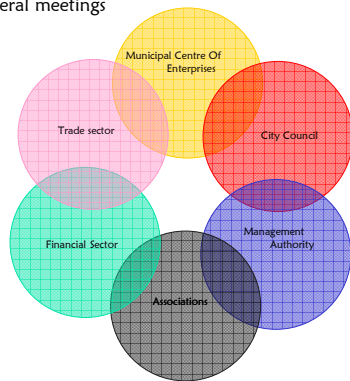
**FIN-URB-ACT Local Support Group (2)**

MEMBERS OF THE LOCAL SUPPORT GROUP			
Nº	Partner	Type	General Mission
1.	Municipality: Deputy Mayor for Economic Development and Innovation	Local Authority; Gijón City Council	Deputy Mayor responsible for municipal support to SMEs and entrepreneurs. He is the Project's Political Coordinator.
2.	Municipality: Department of International Affairs	Local Authority; Gijón City Council	Municipal Department responsible for European Projects' coordination
3.	Municipality: Local Agency for Economic Promotion and Employment	Local Authority; Gijón City Council	Municipal Agency responsible for Local Development
4.	Municipality: Municipal Centre of Enterprises Co.	Local Authority; Gijón City Council	Municipal Corporation responsible for providing advice, training, premises and access to finance to SMEs and entrepreneurs. It is the Project's Technical Coordinator
5.	General Directorate for European Affairs of the Principality of Asturias	Regional Authority Principality of Asturias	Regional Department responsible for European Projects
6.	Sociedad de Garantía Recíproca "ASTURGAR"	Mixed-public and private-capital entity Mutual Guarantee Society	It is the Mutual Guarantee Society of Asturias. A non-profit financial institution whose main purpose is to facilitate access to finance to Asturian SMEs through the provision of guarantees. It counts as protector members to the Principality of Asturias, credit institutions and business associations.
7.	Federación Asturiana de Empresarios Asturian Entrepreneurs Federation	Association Entrepreneurs and Business Association	It is the entity that represents the interests of Entrepreneurs and business in the Principality of Asturias. It consists of nearly 100 sector and local associations, bringing together about 35.000 companies.
8.	Unión de Comerciantes de Gijón Gijón Shopkeepers' Union	Association Shopkeepers' Union	It is a Business association for local shopkeepers. It brings together the majority of SMEs aimed at retailing.
9.	Banco "B.B.V.A." "B.B.V.A.", Bank	Private Sector Bank	---
10.	Caja Rural de Asturias Asturias Rural Savings Bank	Private Sector Savings Bank	---
11.	Caja Rural de Gijón Gijón Rural Savings Bank	Private Sector Savings Bank	---
12.	Caja de Ahorros "La Caixa" "La Caixa" Savings Bank	Private Sector Savings Bank	---
13.	Caja de Ahorros "Cajastur" "Cajastur" Savings Bank	Private Sector Savings Bank	---
14.	"Torsa Capital S.L.", sociedad gestora "Torsa CAPITAL" VCF Management Co.	Private Sector Co. managing Venture Capital Entities	---
15.	Alfonso Roa "Alfonso Roa" Communication Agency	Private Sector Communication Agency	---

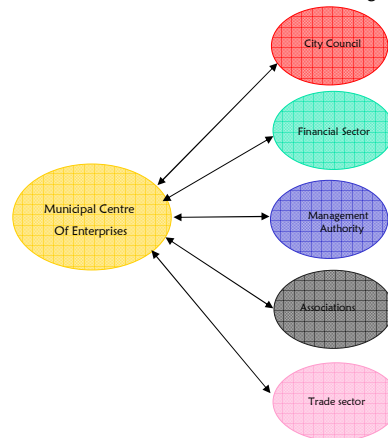
**FIN-URB-ACT Local Support Group (3)**

Organisation/ Working Process

General meetings



Sectoral Meetings



**FIN-URB-ACT Local Support Group (4)**

Difficulties and what went easily

Teamwork produces positive results  
 Meetings are a not a discussion group, but a working group  
 Sectoral meetings leads to a faster work and earlier results

Practical difficulties to organize General Meetings

**Activities of FIN-URB-ACT Local Support Group: The Local Action Plan (1)**

According to the FIN-URB-ACT objective of involving all local stakeholders related to businesses and financing in a LOCAL SUPPORT GROUP, we intend to develop and implement the LOCAL ACTION PLAN with concrete, realistic measures adjusted to the needs of local SMEs in financial issues. The local action plan will focus on the implementation of financial instruments for SMEs



**PROBLEMS**  
**detected in financing SMEs**

- lack of knowledge about the existing resources
- available finance is not as successful as expected
- The current crisis makes access to finance more difficult
- access to finance is the main problem for enterprises
  - entrepreneurs' lack of venture culture

**Local Action Plan (2)**



**OBJECTIVES**  
**to be followed by the Local Action Plan**

- ✓ facilitating the knowledge about the existing financial resources to the entrepreneurs and enterprises of the municipality
- ✓ facilitating the innovative projects access to venture capital
- ✓ facilitating the technically feasible projects access to micro-loans
- ✓ analysis of the economic state of affairs – adapting new finance schemes to entrepreneurial projects
- ✓ adapting financial resources to the real needs of enterprises (for financing circulating capital)

### Local Action Plan (3)

#### **ACTIONS to be implemented**

1. Carry out a diagnosis study about the demand of SMEs in financing.
2. Adaptation of existing public support instruments
3. Information and training seminars on basic and advanced finance and existing support schemes
4. Feasibility study for a venture capital fund



### Local Action Plan (4)

#### **Action No. 1 to be implemented**

#### **Carry out a DIAGNOSIS STUDY about the demand of SMEs in financing**



This study will be carried out at the beginning of the year 2010. Sheets of specifications for entities wishing to bid have been already drafted. As the foreseen duration of the survey will be about two months, we expect to have an outcome for spring 2010.

Oviedo University will be in charge of this study in collaboration with Gijón City Council and the Asturian Business Association. For the financing-demand part of the study, a survey will be conducted on two business samples (including self employed) to assess the small business expectations in terms of access to finance in Gijón:

- > businesses that received support and follow-up services from the Municipality,
- > other businesses,

This survey will be conducted by the local University on the basis of existing surveys commissioned by the EC DG Enterprise.

The other part of the study will be focused in the financing supply. The list of existing public financial supports with their target businesses will be updated and a panel experts (financial institutions and guarantee society) will evaluate if it is necessary to lunch new products or adapt the current ones.

## Local Action Plan (5)

### Action No. 2 to be implemented ADAPTATION OF EXISTING PUBLIC SUPPORT INSTRUMENTS

The outcome of the study joined to the acquired experience of the Municipal entities in charge of local development and enterprises support will allow 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.



◆ Last November, as a result of having analyzed the results of previous agreements, a new Collaboration Agreement has been signed between the Municipality and the financial entity *Micro Bank* in order to ease the access of new self-employed and starting-up companies to micro loans. In case a starting-up company wants to apply for a micro loan, it will submit its application to the Municipality entity (Municipal Centre of Enterprises) along with the required documentation. The Municipal Centre of Enterprises will review this documentation, will help the applicant to improve its application (if necessary by providing advice and consultancy) and then will forward the Bank this documentation along with a report in favor of giving the credit.

- ◆ Moreover, a 500.000€ grant is being made available for companies willing to collaborate in Platforms of Entrepreneurial Development; this means that consolidated companies will act as tractors of starting-up innovative SMEs for development of high added-valued technological activities and services.

## Local Action Plan (6)

### Action No. 3 to be implemented INFORMATION AND TRAINING SEMINARS on basic and advanced finance and existing support schemes



These seminars will be opened to interested SMEs but mostly targeted to small businesses' advisors (public and private) and small business associations to increase the dissemination of this information in the local small business community. They will take place in the year 2010, once the new Venture Capital Fund will be fully operational.

## Local Action Plan (7)

### Action No. 4 to be implemented Feasibility study for a VENTURE CAPITAL FUND

The Municipality 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 obtained recently and it was in favor of setting up a venture capital fund.

This venture capital fund will be 100% local capital and will complement the regional instruments which are already operating. The management company of the venture capital fund has already been hired. It is expected that the venture capital fund will be fully operational within a couple of months. The main features of this fund are as follows:

- **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 defense, 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 3 and 5 years, although different durations may be allowed by the Investment Committee.



*Thank you for your attention!  
And I hope to see you again in Gijón  
Work Meeting IV, June 2010*



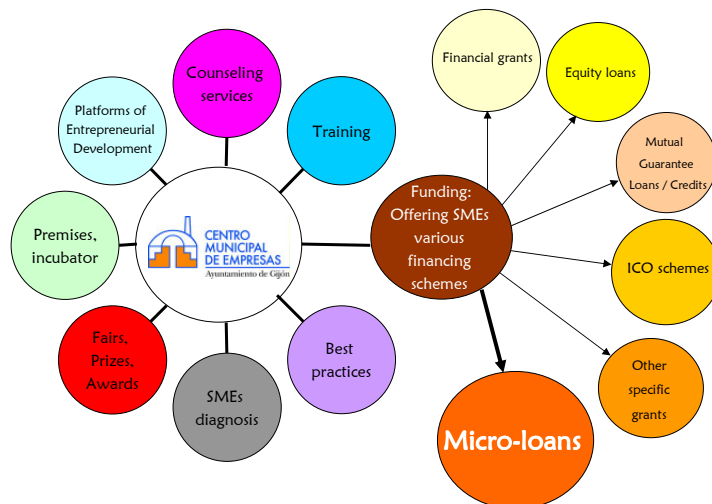


**Municipality of Gijón (Spain)**

**Funding instruments for financing S.M.Es: Micro-loans**



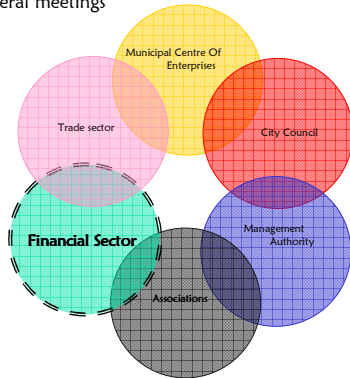
**Main activities undertaken by the Municipality to support entrepreneurs and SMEs**



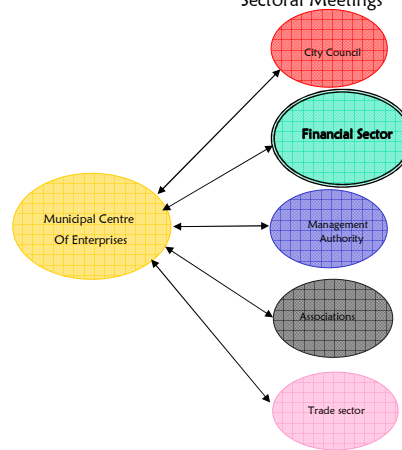
**FIN-URB-ACT Local Support Group**

Organisation/ Working Process

General meetings



Sectoral Meetings

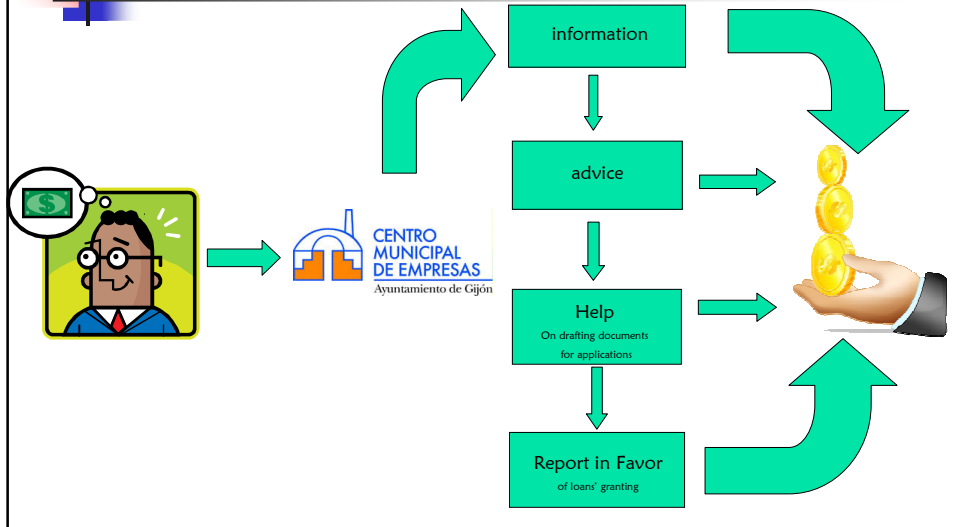


**FIN-URB-ACT Local Support Group**

MEMBERS OF THE LOCAL SUPPORT GROUP.- FINANCIAL SECTOR

Nº	Partner	Type
1.	Municipality: Municipal Centre of Enterprises Co.	Local Authority; Gijón City Council
2.	Banco "B.B.V.A." "B.B.V.A". Bank	Private Sector Bank
3.	Caja Rural de Asturias Asturias Rural Savings Bank	Private Sector Savings Bank
4.	Caja Rural de Gijón Gijón Rural Savings Bank	Private Sector Savings Bank
5.	Caja de Ahorros "La Caixa" "La Caixa" Savings Bank	Private Sector Savings Bank
6.	Caja de Ahorros "Cajastur" "Cajastur" Savings Bank	Private Sector Savings Bank
7.	Sociedad gestora "Torsa Capital S.L." "Torsa CAPITAL" VCF Management Co.	Private Sector Co. managing Venture Capital Entities

**Activities undertaken by C.M.E. to support S.M.Es access to microloans**



MICROLOANS FOR ENTREPRENEURS IN GIJÓN							
	Social La Caixa	Financial La Caixa	I.C.O. (Official Credit Institute)	Women's Institute	Cajastur	Cajastur "Entrepreneurs"	Microcredits for Entrepreneurs by the Principality of Asturias
<b>Beneficiaries</b>	Entrepreneurs who start a business or who started it in less than 6 months belonging to the groups: aged over 45 years, single parent households, immigrants, women, disabled, long-term unemployed.	Entrepreneurs who set up, consolidate or wish to expand micro businesses	Micro business or professionals who: • Have been recently established (after 1 January 2009). • Use 1 to 9 employees at 31 December 2009. • Have a billing and / or annual balance sheet not exceeding EUR 2 million at 31 December 2009.	Women entrepreneurs or micro business participated in more than 50% by women that are beginning activity, or who have begun activity within a period not exceeding 3 years (exceptionary 0 years).	Entrepreneurs who start self-employment projects in the Principality of Asturias.	Entrepreneurs with university degrees or vocational training to start business projects.	Entrepreneurs or micro business that are beginning activity, or who have begun activity within a period not exceeding 1 year.
<b>Eligible Investments</b>	At the discretion of the entity	At the discretion of the entity. Exceptionally it may finance circulating capital	investments made after 1/1/09: - in productive assets whose price (including VAT) does not exceed € 24,000. - expenses made for the constitution of the company, with a limit of 10% total project. - acquisitions of Companies	Set in motion, implementation, consolidation, and growth of entrepreneurial projects ruled by women.	At the discretion of the entity	At the discretion of the entity	It may finance fixed- and circulating capital. Circulating capital cannot exceed 50% of total investment
<b>Maximum percentage financed</b>	95% of investment	80% of investment	100% of the investment	95% of the investment.	At the discretion of the entity	At the discretion of the entity	75% of the investment.
<b>Maximum amount financed</b>	15,000 €	25,000 €	300,000 €, in one or more transactions.	25,000 €	Up to 10,000 €	Up to 30,000 €	25,000 €
<b>Interest rate</b>	Posted by Microbank (between 6%-7%, depending on the risk)	Posted by Microbank (between 6%-7%, depending on the risk)	Reference ICO (4%-5.5%), more to 2, 15 pp	Fixed: 6%	Variable: 12-month Euribor + 2.95 p.p. (minimum interest rate: 4%)	Variable: 12-month Euribor + 2.95 p.p. (minimum interest rate: 4%)	Fixed: 6.5% Variable: 12-month Euribor + 1.25 p.p.
<b>Maximum Repayment term</b>	5 years (6 months grace –optional– included).	5 years (6 months grace –optional– included). It can be exceptionally extended to 7 years	Between 0 and 12 years (it is possible to get intermediate grace terms)	5 years (with 6 months grace optional)	3 years, renewable (6 months grace period).	5 years renewable (12 months grace period).	Between 3 and 5 years (1 year grace period)
<b>Processing</b>			The applications are processed, approved and made directly in banks and savings banks which have signed an agreement with ICO in order to participate in this program	Women's Institute Women's World Bank	In Cajastur offices. Provide, together with the application, a Business Plan, project information and documentation to assess its consistency	In Cajastur offices. Provide, together with the application, a Business Plan, project information and documentation to assess its consistency.	C.E.E.I. (European Centre for Enterprises and Innovation)
<b>Duration</b>	Annual	Annual	Open until 20 December 2010 or until the consumption of available funds.	Renewed agreement	Valid: until exhaustion of the available budget.	Valid: until exhaustion of the available budget.	Deadline for applications to be opened shortly
<b>Participating Entities</b>	La Caixa, Municipal Centre of Enterprises	La Caixa, Municipal Centre of Enterprises	I.C.O. financial institutions assigned to the program.	Women's Institute, DGPYME, ECSC, "OMEGA" Women's association	Cajastur	Cajastur	C.E.E.I. IDEFA, ASTURGAR, financial institutions assigned to the program.



*As "Municipal Centre of Enterprises" has been appointed Social Welfare Institution, it develops an active cooperation with the Banking sector*



► Last November, as a result of having analyzed the results of previous agreements, a new Collaboration Agreement has been signed between the Municipality and the financial entity *Micro Bank* in order to ease the access of new self-employed and starting-up companies to micro loans. In case a starting-up company wants to apply for a micro loan, it will submit its application to the Municipality entity (Municipal Centre of Enterprises) along with the required documentation. The Municipal Centre of Enterprises will review this documentation, will help the applicant to improve its application (if necessary by providing advice and consultancy) and then will forward the Bank this documentation along with a report in favor of granting the credit.



**MicroBank**

*MicroBank is the Social Bank of "La Caixa" banking group. It is specialized on microloans not only for business, but also for families.*

*"La Caixa" is the No. 1 Savings Bank of Spain*



**Results**

	Approved Projects	Total Amount	Jobs Created
2004	1	21,000 €	2
2005	8	150,000 €	26
2006	14	286,500 €	44
2007	10	186,400 €	24
2008	8	178,000 €	22 (estimated)
2009	Data still not available		

