



- NEWSLETTER N° 2, MAY 2005 -

FinNetSME – Network for Regional SME Finance

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CALENDAR OF NETWORK EVENTS

Date	Theme	Venue
29/30 September 2005	Regional Supply Chain (Seminar)	Thessaloniki, Greece
February 2006	Mid-Term Conference	Rome, Italy
June 2006	Challenges for Regional Finance (Seminar)	Turin, Italy
October 2006	Financial Engineering (Seminar)	Kiel, Germany
January 2007	Validation seminar	Caen, France
May 2007	Final Conference	Brussels, Belgium



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EDITORIAL

In the framework of FinNetSME, the partners have set out to exchange practices and ideas on how to improve the design of financial products for SMEs and strategies of SME financing in the regions of the European Union. The aim is not only to make best practice available at the European level, but essentially to improve the regional supply of finance to SMEs. Since the start of the project in summer 2004 and its official launch in Brussels in November 2005, the partners analysed the characteristics of their regional financial system on the occasion of the first seminar of the network organised in Vilnius in Lithuania in February 2005, and in the broader context of the EU system. This comparison has led to an understanding of the similarities but also of the differences between the partners' organisations and their respective functions. Representatives of the European Parliament as well as of the European Commission presented their views of the functions of regional SME financiers and discussed the issue with the FinNetSME partners. The summary of the discussions can be found on page 6.

On the second day of the meeting, the partners compared practices and examined their financial instruments in FinNetSME's fields of priority: early stage finance, micro finance, equity finance and the cooperation of the providers of finance for SMEs in the regions, i.e. the "regional supply chain". The working groups in charge of each priority issue mapped the way towards the formulation of the models in their specific area of interest and developed a first sketch of how these models could be designed. Common challenges that need to be met are the fragmentation of the demand side and, consequentially, high costs. The public status, however, allows for favourable conditions and the provision of costly services, such as advisory services, and is a good starting point.

FinNetSME has therewith had a good start. The partners have taken strong first steps towards fulfilling their objectives. The website and database, which will become operational at the end of April 2005, will allow for a sound working base for the working groups and the development of the models. Those associated partners who have already joined the project will extend the exchange and eventually support the work done in the working groups with evidence from their respective experience. FinNetSME will be happy to welcome other interested parties. The next seminar on the "Regional Supply Chain" in September 2005 will build on the results of the Vilnius meeting and focus on the cross-cutting issue of the cooperation issues in the regions. Maintaining the pace, keeping in mind the point of view of the end-user and linking FinNetSME further with other interested stakeholders to build synergies will surely be on our agenda until then. In this issue, you will discover the New Economy Development Fund in Greece, the success of guarantee mechanisms in Castilla y León, how the Lazio region tries to take advantage from globalisation in the audiovisual sector, and much more.

Enjoy the newsletter and see you soon!

The Network for Regional SME Finance, FinNetSME, is a network project designed to encourage an intensive exchange between regional public financiers on how to improve access to finance for Small and Medium Size Enterprises (SMEs). The project started in June 2004 and will run until June 2007.

20 partners from nine EU Member States will discuss current problems of SME finance, compare the situation in their respective regions and will suggest practical ways to bridge the market gap in SME finance, with or without public funding.

In order to create the broadest possible basis for the discussion the range of participants in the network's events will also include actors who are not formal Project Partners. They will be able to take part in the network as Associated Partners. The project will contribute to a greater awareness of the value of regional access to finance in the partners' regions. Through the establishment of enhanced co-operation among partners and other stakeholders, the project will make it easier for regional governments to gain expertise in facilitating access to finance through their specialised institutions.

Starting Point

As emphasised by the EU Lisbon Strategy and mirrored in the Third Cohesion Report, SMEs play a key role in regional development. They ensure economic and social cohesion as well as sustainable development. However, they depend on adequate access to finance. Currently, the market does not respond sufficiently to the finance needs of SMEs, particularly in the economically less dynamic regions. These market gaps will become even greater with the effects of the Basel II Accord, especially the increased capital requirements for banks that will be felt keenly by SMEs, especially in the new Member States.

The issue of insufficient access to finance for SMEs is of particular relevance to the regional specialised funding institutions, owned and run by their respective governments and specialised in SME

finance, as they hold key responsibilities in creating favourable conditions for the regional economy. There is a strong need for an inventory of existing good practices in SME finance to help improve the situation by exploiting the given financial sources in an innovative way. Policy makers and financiers need this reliable source of regional know-how to find the best solutions for the development of their region.

Typically though, regional actors are compartmentalised, and information of use to public financiers, entrepreneurs and potential investors is not shared. Despite the efforts to establish European and national networks for interaction on the issue of regional SME finance over the past years, the exchange of know-how between regional financiers on successful ways of employing public support structures for SMEs is still weak, and transparency is lacking.

Project Objectives

- Improvement of access to finance for SMEs
- Closure of the equity gap
- Promotion of entrepreneurship
- Reduction of unemployment
- Contribution to regional economic development

The sub-objectives are:

- Collection of data on regional finance
- Assessment of existing regional practices
- Development of models for regional finance
- Raise of awareness for value of public SME support

Project Tools

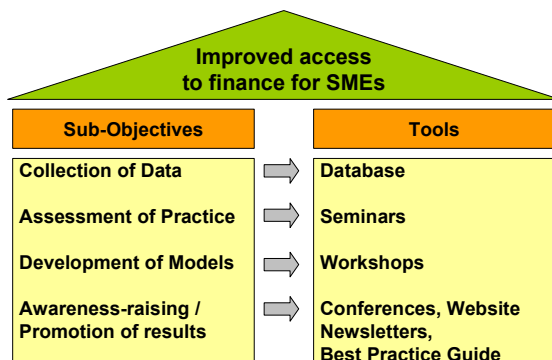
A database comprising publicly supported regional financial instruments will be set up, and a "Best Practice Guide on regional

supply chains and public regional finance" will be produced as well as a "Who is Who of public regional finance" and electronic newsletters. In addition, a project web-site will provide access to the database and online information on public regional finance. These tools will jointly serve for future guidance of developers of financial schemes and regional supply chains. Thus, a Centre of Competence of regional finance centralising existing regional knowledge and contacts will emerge.

There will be four seminars to discuss core issues with regards to regional SME financing: "The Role of Regional Financiers in the EU", "The Regional Supply Chain", "Challenges for Regional Finance" and "Financial Engineering". These events will be hosted by the network partners and take place all over Europe. Three conferences will be organised and be open to all interested parties, reaching national and regional financial players, incubators, regional development agencies, business associations, public authorities and EU

institutions. While the first conference in Brussels in November 2004 had the character of the official project kick-off, the second conference in Rome (in early 2006) will provide the occasion for a mid-term review. The last conference, again in Brussels in May 2007, will provide the opportunity to take stock of the results achieved.

FinNetSME will contribute to regional development in the EU by improving regional access to finance for SMEs and the quality of new financial instruments, therefore fostering enterprise creation and stimulating a culture of entrepreneurship that will reduce unemployment. Linking regional specialised funding institutions to develop common approaches towards EU institutions and the EIF, FinNetSME will shape future EU regional policies and instruments.



- Sustainable dialogue between regional financiers
- Greater awareness of the value of SME support
- Increased transparency of financial instruments
- Facilitation of gaining expertise on SME finance
- Improved quality of new financial instruments
- Contribution to regional development

The FinNetSME Partnership

Acronym	Organisation	Country
SAB	Sächsische Aufbaubank - Förderbank -	Germany
FILAS	Finanziaria Laziale di Sviluppo	Italy
ADECYL	Agencia de Desarrollo Económico de Castilla y León	Spain
IB-SH	Investitionsbank Schleswig-Holstein	Germany
INEC	Thermokitida Neon Epichiriseon Chanion	Greece
NRWB	NRW.Bank	Germany
GEPAFIN	Gepafin Spa	Italy
FCVRE	Fundación Comunidad Valenciana – Región Europea (*)	Spain
CSA	Centro Sviluppo S.p.A.	Italy
INVEGA	UAB "Investiciju ir verslo garantijos" (INVEGA)	Lithuania
IBB	Investitionsbank Berlin	Germany
MBL	Latvijas Hipotēku un zemes banka	Latvia
IB-LSA	Investitionsbank Sachsen-Anhalt	Germany
KEO	Kainuun Etu Oy	Finland
EURADA	European Association of Development Agencies - EURADA	EU
LAMORO	Società consortile Langhe Monferrato Roero a.r.l.	Italy
CEBANOR	Comité d'Expansion de Basse Normandie - CEBANOR	France
ANATOLIKI	Anaptixiaki Anonimi Eteria Anatolikis Thessalonikis "ANATOLIKI A.E."	Greece
Finpiemonte	Finpiemonte S.p.A. (Istituto Finanziario Regionale Piemontese)	Italy
EAPB	European Association of Public Banks - EAPB	EU

(*) ongoing process of replacing IMPIVA (Instituto de la Mediana y Pequena Industria Valenciana) as a partner

1. Introduction

Having successfully introduced the Network for Regional SME Finance to European, national and regional decision-makers recently during a Kick-off Conference held in Brussels, the partner institutions of FinNetSME met for the first thematic seminar 'Regional Financiers in the EU' in Vilnius on 10 February 2005. The seminar focused on the roles and functions of public regional financing institutions in the multilevel structure of regional, national and EU policies and measures for business development.

The event was hosted by the Lithuanian network partner UAB Investiciju ir verslo garantijos (INVEGA) and, in addition to the formal project partners, attracted several policy-makers and stakeholders from Lithuania as well as interested parties from other partner regions. The successful efforts to attract a Lithuanian Member of the European Parliament and a representative of the European Commission / DG Regional Policy as keynote speakers are to be highlighted.

2. Situation of the SMEs in Lithuania. The Role of Public Institutions promoting Regional Development (Key-note speech by Mr. Šarūnas Birutis, Lithuanian Member of the European Parliament, Member of the Committee on Industry, Research and Energy)

In his keynote, Mr. Birutis depicted the situation of small and medium size businesses in Lithuania and reviewed the progress of the country's efforts towards an improvement of SME support.

The development of SMEs is generally accepted as a prerequisite for economic growth and for an improvement in the standard of living. With regards to these, Lithuania, just as the other Baltic countries, needs to stimulate the SME market.

2.1 Situation of SMEs in Lithuania

SMEs are the backbone of the Lithuanian economy: They currently represent 99,3% of all Lithuanian companies and employ 70% of the Lithuanian workforce. The share

of Lithuania's GDP created by SMEs grew from 59,3% in 2001 to 68,2% in 2003. Lithuanian SMEs have become more active in foreign trade in the past years.

These figures are contrasted by the sad truth that as much as 20% of all Lithuanian SMEs have ceased their business activities in the past four years, although the drop-out rate has decreased compared to the period before 2000. An additional problem for Lithuania's economy is the important discrepancy between the level of development of big cities and that of rural areas: While the unemployment rate in and around Vilnius, Kaunas and Klaipeda is low (5% or less) as a result of high productivity and investment level, the less developed regions face unemployment rates of up to 18 %.

2.2 Lithuanian Support Policies for SMEs

The Lithuanian government has introduced a policy for business development in order to overcome the most severe problems of the Lithuanian regions – poor level of employment, little investment, weak infrastructure, lack of qualified labour force and decreasing population.

While tax exemptions used to be the main instrument in the early years of governmental SME support in Lithuania, measures for SME promotion today include the provision of bank guarantees, coverage of loan interest from state budget, import/export insurance, innovation financing, and provision of non-financial services via business incubators and information centres. EU policies are applied and EU funds used for most of these programmes today, and it is envisaged to add financial support from the structural funds and other programmes. The creation of 50.000 jobs, following the structural funds support of 16.000 to 22.000 enterprises, is expected within three years.

To avoid a further aggravation of the development gap between the big cities and the rural areas, Mr. Birutis advocated business support policies that would increasingly take into account the concerns of the less developed Lithuanian regions. He concluded that an effective policy for regional development should reach beyond a simple redistribution of funds towards "recognizing the complexity of issues

related with support for regions of different economic potential".

3. Cohesion Policy 2007-2013. Commission's Proposals for the New Regulations

(Presentation by Mr. Michel-Eric Dufeil, European Commission, DG Regional Policy)

Mr. Dufeil gave an outlook on the main traits of the Cohesion Policy for the programming period 2007-2013, as envisaged by the European Commission.

Due to the substantial underdevelopment of nearly all regions in the New Member States, the enlarged EU faces even deeper regional disparities today. It is a solidarity task and, in the light of the goal of the EU to be a competitor on the global market, in the common European interest to overcome this gap in the level of regional economic development. In order to achieve this goal, the European Commission proposes a reform of the Regional Policy towards a concentration, administrative simplification, and decentralisation of its policies.

3.1 Concentration

There will be a geographical concentration of financing in 3 new objectives which are envisaged to include: "Convergence", "Regional Competitiveness and Employment", and "European Territorial Cooperation".

3.1.1 *Convergence Objective*

The "Convergence" objective shall consume 78,5% (264 billion. EUR) of the Structural Funds available for the next Programming Period for the support of regions with a per-capita GDP below 75% EU average. ERDF interventions shall be made available for R&D and Technology transfer, Information society, Environment infrastructures, Risk prevention, Tourism, Transport infrastructures/TEN, Energy infrastructures/renewable energy, Training and health infrastructures, and Support to investments for SMEs.

3.1.2 *Regional Competitiveness and Employment Objective*

The "Regional Competitiveness and Employment" objective shall combine 17,2% (57,9 billion. EUR) of the Structural Funds available and facilitate the adaptation to new competitiveness demands of regions

'phasing out' of objective 1. ERDF interventions shall finance Innovation and knowledge-based society (support to SMEs etc.), Environment and Risk prevention (Natura 2000, renewable energy, clean public transport, plans in case of natural disasters), as well as access to transport and telecommunication networks outside major urban centres (Links to TENs, Access to Internet for SMEs).

3.1.3 *European Territorial Cooperation objective (Mainstreaming of Interreg)*

To the "European Territorial Cooperation" objective shall be allocated 3,94% (13,2 billion. EUR) of the Structural Funds available. ERDF interventions shall focus on Cross-boarder economic and social activities, Transnational cooperation, Networks and Exchange of experience.

The strategic approach towards concentration includes the adoption of Strategic Guidelines for the Cohesion by the Council with the opinion of the European Parliament before the beginning of the new Programming period, the establishment of a clear link between Cohesion policy and the Lisbon- and Gothenburg-Strategies, an increased reference to the principles of the Common Economic Policy and of the European Employment Strategy, and an Annual Report on the progress of the Member States.

3.2 Administrative Simplification

The proposal for an administrative simplification includes the reduction to 3 objectives, the reduction of the Structural Funds from 5 to 3, the reduction of the Programming steps to 2, and the introduction of mono-fund programmes as a rule. The geographical eligibility for Structural Funds support outside the "Convergence" objective will no longer be defined by the Commission, but by the Member States according to their national rules. The Commission also plans to adapt its control systems for more proportionality with the level of Community participation, by performing random controls on the basis of a risk analysis, and by relying on national or regional control bodies otherwise.

3.3 Decentralisation

With its proposal for a decentralisation of Regional Policy, the Commission is looking to increase the role of the regions through a

joint management of structural policy between the EU, national, regional, municipal, and local level; through a participation of all regions in the Cohesion policy; and through the inclusion of urban issues. Moreover, the Commission intends to focus its dialogue with the regions on general strategies while leaving the decision on implementation strategies up to the regions.

3.4 Other Principles

The European Commission continues to adhere to the basic principles of Structural Funds support which include Complementarity, Consistency and Compatibility with EU law; multi-annual Programming which allows for medium- and long term planning and, thus, ensures continuity; the Partnership between the Commission and the Member States as well as regional, local, municipal and other bodies, economic and social partners and other partners from Civil Society; the principle of Subsidiarity; Joint Management with the key actors of implementation in the place; Additionality; and Equal Opportunities for men and women.

3.5 Proceedings

The next steps towards the new regulations before the beginning of the implementation in 2007 include the decisions by the Council and the European Parliament by the end of 2005, the adoption of the Community Strategic Guidelines by beginning of 2006, and the preparation for the new programming period (including the programme negotiation) in 2006.

In the discussion following his presentation, Mr. Dufeil pointed out that the function of regional financing institutions under the new policy regulations mainly comprised the contribution to a minimization of the risk element in SME finance: While banks were more and more careful to assist SMEs especially in the new technologies sector, public regional financiers could fill this market gap and "make things happen that, otherwise, would not happen".

Mr. Dufeil advised the public regional financing institutions to make use of the potential that financial engineering offers for a balanced and sustainable regional development. For example, revolving funds issuing low-interest loans to SMEs (instead of grants) permit the public regional

financier a repeated and continuous financing of SMEs and new projects by using the returns from running operations. At the same time, the obligation to repay the loan represents an incentive for the SME to carefully manage the investment.

Public-Private Partnerships (PPP) offer the potential of leveraging the funds available for SME support from public regional financiers. However, according to Mr. Dufeil, there are conceptual difficulties (such as the nature of private money) yet to be solved.

4. EU Activities of Investitionsbank Schleswig-Holstein (Presentation by Dr. Angelo Wille, Investitionsbank Schleswig-Holstein, Representative of Liaison Office Brussels)

Dr. Wille introduced the seminar participants to the EU activities of Investitionsbank Schleswig-Holstein (IB-SH). The institution is the main development bank of this German region and acts upon political mandate by the federal state government of Schleswig-Holstein. The bank, with a balance sheet total of 8,16 billion. EUR (2003) and about 400 employees, operates well networked branch offices in the Schleswig-Holstein region in which it offers over 60 financial and non-financial products and services for business, housing, and municipalities. The products/services available for business clients include Funding pilots, Loans and grants, Master craftsman certificate, Business start-up information service centre, Funds for innovation, "Regionalprogramm 2000", and Federal assistance.

IB-SH wants to act as a one-stop agency for EU finance in Schleswig-Holstein. Clients in this field mainly comprise municipalities, companies, chambers of commerce, universities, and business development agencies. EU related -departments and -contact points of IB-SH, equipped with specialized staff, are located in Kiel, Brussels, Rostock, Karlskrona, and Riga. IB-SH has organized its EU activities in 3 main areas: EU Funding/Euro Info Centre, INTERREG, and EU Structural Funds.

4.1 EU Funding / Euro Info Centre

This part of IB-SH's EU activities is performed by the Euro Info Centre and the Liaison Office Brussels.

4.1.1 Euro Info Centre

Via its Euro Info Centre in Kiel, IB-SH is one of 300 partners of the European Commission's Euro Info Centre Network. The Euro Info Centre offers advice on European funding opportunities (e.g. project advice) as well as on European directives, regulations and legislation. It provides assistance in preparing and completing applications for EU funding as well as support throughout the project implementation (e.g. with regards to contract and reporting procedures). The Euro Info Centre Kiel issues a quarterly newsletter ("Eurobrief"), in cooperation with the government of Schleswig-Holstein. It also organises events on EU relevant topics and a quarterly network meeting of regional actors in EU affairs ("EU-Arbeitsgruppe Schleswig-Holstein").

4.1.2 Liaison Office Brussels

The Liaison Office represents the interests of IB-SH and of its customers in Brussels (e.g. via participation in working groups and EU events) as well as acquires, filters, and refines information relevant for IB-SH and its target groups. Via the office, IB-SH seeks close contacts especially with EU institutions, other financial intermediaries, and regional offices. The Liaison Office provides support for the development of products with the use of EU funds and other financial instruments for structured finance, and assures a follow-up on recent EU developments. It organises and supports events in Brussels, develops projects for IB-SH and its clients and manages its own projects.

4.2 Interreg III

IB-SH is active in all 3 strands of Interreg III: IB-SH acts as the Managing and Paying Authority for the Baltic Sea Region Interreg IIIB Neighbourhood Programme (including the Interreg IIIA priorities of the BSR Interreg IIIB NP), as well as for the Interreg IIIC North Zone. In this framework, it hosts the Joint Technical Secretariat for the Baltic Sea Region Interreg IIIB Neighbourhood Programme and the Interreg IIIC North Zone. Moreover, it is the Lead Partner of the project Interact Point IIIC Coordination.

4.3 EU Structural Funds

IB-SH is to some degree responsible for the implementation of Structural Fund programmes in Schleswig-Holstein.

5. Investitionsbank Berlin: Business Model of a Regional Business Development Bank in Germany (Presentation by Mr. Martin Dastig, Investitionsbank Berlin, Enterprise Development Manager)

Investitionsbank Berlin (IBB) as the central regional development bank of the federal state of Berlin plays a pivotal role in boosting the local economy. To this end, it offers financial subsidy instruments, which include Grants (for investments, research projects, and training measures), Loans (micro loans for entrepreneurs, loans for technology based companies, for turn around or companies in difficulties), Equity (for technology based start-ups) and services (such as the business plan competition Berlin-Brandenburg). In pursuit of its goal to contribute to Berlin's development, IBB embarks on a new threefold strategy:

5.1 Competency Fields vs. Mass

As part (1) of its new strategy, IBB intends to concentrate its financial support to SMEs operating in certain sectors. These "fields of competency" include Biotechnology, Information Technology and Media, Medicine Technology, Transportation Technology, and, as new fields, Tourism and Health Market. To this end, Sales and Processing have been restructured. The introduction of the "Hausbank" principle is in the course of realisation, and a "Sales Initiative Competency Fields" is planned.

5.2 Company Life Cycle

Part (2) of IBB's new strategy concerns the adjustment of instruments to the demands of companies according to the stage of development in their life cycle. Consequently, products have been aligned to satisfy the financing needs of entrepreneurs, existing companies, and companies in difficulty. The realisation of the "Life Cycle strategy" also includes the introduction of 2 funds: The "KMU-Fonds" is a revolving fund for the support of existing companies which is partly financed by the EU, co-financed and managed by IBB. The

"VC-Fonds" is designed to support start-ups and is managed by IBB-Beteiligungsgesellschaft (subsidiary VC company of IBB), co-financed by the EU and IBB. Programmes for the support of SMEs settling down in Berlin might follow in the medium term (2006/2007).

5.3 Loan Based SME Promotion

The third part of IBB's new strategy comprises a reorientation from grant-based programmes towards revolving instruments (especially loans). With ProFIT, a new programme for the funding of research, innovation and technologies has been introduced. ProFIT absorbs 4 existing funds and programmes. Some programmes of questionable value have been stopped. In the course of realisation is the introduction of new programmes: The "Mittelstandskreditprogramm" is a loan programme for SMEs with 3 components, which focus on the promotion of micro enterprises and start-ups (component "micro credits"), of entrepreneurs who face difficulties in obtaining loans from commercial banks (component "KfW funded") and of SMEs with an operating site in Berlin (component "IBB Growth Programme"). Additional programmes including loans for export activities, guarantees and other risk taking instruments are planned for 2006/2007.

5.4 IBB's Interregional Cooperation

Besides FinNetSME, IBB is engaged in other Interreg IIIC projects focusing on SME promotion: The TEICO network, with partners from Poland, Lithuania, Latvia and Sweden, seeks to initiate cross-boarder cooperation between innovative SMEs. TRATOKI focuses on the New Member States and aims at the development of a Transnational Toolkit for Micro Enterprises, i.e. financial instruments and strategies enabling small and micro companies to export.

6. FILAS and its Financial Instruments (Presentation by Ms. Cristina Alcubilla, Finanziaria Laziale di Sviluppo, Project Manager for EU Programmes & Initiatives)

FILAS is the financial investment agency of the Lazio region (Italy) entrusted with assisting enterprises, especially SMEs, in promoting new technologies and innovation.

The agency's main instruments for SME support comprise VC funds and grants for innovation. Another task of FILAS is to assist the Lazio region with the implementation of EU programmes by managing specific measures of the structural funds and programmes within DG Regional Policy.

FILAS' activities for SME support include: the acquisition of minority shareholdings in SMEs and SME consortia; the promotion of start-ups; the provision of financial and legal assistance for agreements and joint ventures; the promotion of knowledge exchange and technology transfer between universities, research centres, and SMEs; and the provision, implementation, and management of special public funds.

6.1 VC Operations

As part of a complex series of activities and initiatives for SME support, FILAS provides start-up and expansion capital via its VC tool to promote the creation and growth of innovative / high-tech SMEs. Such VC operations aim at a renewal / improvement of SMEs' processes / products and focus on high content technology operations of significance to Lazio's development. They are financed from FILAS' own funds, EU Structural Funds, as well as regional funds, and can be carried out in cooperation with commercial banks and/or private VC companies. FILAS' VC operations are to be regarded as subsidiary and additional to private operations: The agency identifies and evaluates suitable projects to present them to private VC companies thanks to its direct and unique contacts with the Lazio SME system; and it finances extraordinary operations.

6.2 Grants for Innovation

FILAS supports SMEs through grants in order to ease the development of new products, processes and services, promote applied research, lay the grounds for investment operations, increase the potential of e-commerce and multimedia communication, allow for immaterial investments (such as patents and licences), and to ease SMEs to obtain qualitative and environmental certification. These grants are financed from EU Structural Funds and from Regional Funds.

6.3 Regional Network

FILAS is associated with Agenzia Sviluppo Lazio S.p.A., a regional policy tool to enact public and private financial investments aimed at strengthening regional infrastructures, productive assets and employment.

7. Concluding Discussion: FinNetSME Partners and their Roles in the EU – Similarities and Differences (Moderation by Mr. Christian Saublens, Director of EURADA)

The participants, upon invitation by Mr. Saublens, briefly presented their institution with regards to legal status, shareholders, clients, products/services, and use of Structural Funds. Not surprisingly, the partners of FinNetSME are a homogenous group in the sense that they share the common aim of contributing to the economic development of their region primarily via SME promotion. Moreover, they are, without exemption, owned (at least as a majority shareholder) by the state or by its subordinate bodies.

Several institutions provide products and services exclusively for business development, and some even concentrate their support activities further on a specific group of SMEs (e.g. start-ups, young, innovative, high-tech, small companies). Others serve several target groups besides SMEs, e.g. house owners, housing companies, municipalities and other public authorities. Especially the German partners

have such a wider mandate and, apart from this, form a distinct group within the FinNetSME network as they are all banks (under public law).

With regards to financial products available for SMEs, grants and loans seem to be the most popular instruments either of which about two-thirds of the institutions make use. Guarantees are offered by several institutions as well; some provide VC and equity. Interest subsidies seem to be used less among the financial instruments. Non-financial services are provided by several institutions, however, while some offer these services as complementary to their financial products, there is a small group of institutions which use only non-financial instruments for SME promotion. A majority of the institutions uses EU Structural Funds as a source of finance or plans to do so in the near future.

As a result of the seminar, the partners of FinNetSME have come to a common understanding of their roles, tasks and functions as well as their forms of organisation. The seminar has, thus, created a platform for continuous discussion in the working groups and in the seminars to come.

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Summary of the Characteristics of our Regional Financiers

The last session of the seminar, moderated by Christian Saublens – Director of EURADA, was an opportunity to know better all the members of the partnership. All partners were invited to have one of their representatives describe: the legal status of their organization, the type of shareholders involved, the clients of their financial or non-financial products, the products/services offered, and financially whether or not their organization was using Structural Funds money. The summary of this session is summed up in the table below:

Institution	Country	Legal Status	Shareholders	Clients	Products / Services	Structural Funds Use
SAB – Sächsische Aufbaubank – Förderbank – (State Development Bank of Saxony)	Germany	Public Body	State of Saxony	SMEs Housing Companies House Owners Agriculture Municipalities	Grants Loans Guarantees VC	Yes
FILAS – Finanziaria Laziale di Sviluppo (Financial Investment Agency for Lazio)	Italy	Public Equivalent Body	Agenzia Sviluppo (Lazio Region)	SMEs	Grants Loans VC	Yes
Agencia de Desarrollo Económico de Castilla y León (Agency for Economic Development of Castilla y León)	Spain	Public Body	Regional Government	SMEs Agriculture	Guarantees VC Grants	Yes
Investitionsbank Schleswig-Holstein (Development Bank of Schleswig-Holstein)	Germany	Public Body	State of Schleswig-Holstein	SMEs Municipalities House Owners	Grants Loans Subordinated Loans	Yes
Thermokitida Neon Epichiriseon Chanion (Incubator of New Enterprises of Chania)	Greece	Public Body	Hellenic Organisation for SMEs	Young and innovative SMEs (<3 years)	Non-financial services	
NRW.Bank	Germany	Public Body	State of Northrhine-Westfalia	SMEs House Owners Municipalities Public Equivalent Bodies	Loans Grants Equity	Yes

Institution	Country	Legal Status	Shareholders	Clients	Products / Services	Structural Funds Use
GEPAFIN – The Umbrian Company for the Financing of SMEs	Italy	Public Equivalent Body	Region of Umbria 11 Banks	SMEs	Loans Grants Equity (Public-private funds) Guarantees / Loans with public funds	
FCVRE – Fundación Comunidad Valenciana Región Europea	Spain	Public Equivalent Body	Region of Valencia	SMEs Internal and external clients	Loans Grants Research	
Centro Sviluppo Aosta	Italy	Public Equivalent Body	Fin. Branch of Aosta Region (77%)	SMEs	Grants Loans	Yes
INVEGA – UAB Investiciju ir verslo garantijos (Investment and Business Guarantees)	Lithuania	Public Equivalent Body	State (Ministry of Economics)	SMEs Banks	Loans Guarantees Micro-credits (max. 25 TEUR) VC Interest Subsidies	Yes
IBB – Investitionsbank Berlin (Development Bank of Berlin)	Germany	Public Body	State of Berlin	SMEs (traditional and new tech.) House Owners	Loans VC Grants Services	Yes
Latvijas Hipotēku un zemes banka (Mortgage and Land Bank of Latvia)	Latvia	Public Body	State (100%)	SME start-ups Agriculture House Owners	Loans	In future
Investitionsbank Sachsen-Anhalt (Development Bank of Saxony-Anhalt)	Germany	Public Body	State of Saxony-Anhalt	Entrepreneur SMEs Municipalities Housing Companies House Owners Agriculture	Grants Loans Guarantees Business Advice Services	Yes
Kainuun Etu Oy (Kainuu Regional Development and Business Promotion Company)	Finland	Public Equivalent Body	10 Municipalities	SMEs (already existing)	Non-financial services	
LAMORO – Società consortile Langhe Monferrato Roero a.r.l. (Langhe Monferrato Roero Consortium)	Italy	Public Equivalent Body	Public Authority (90%)	SMEs Public Authorities Associations	Grants EU Projects	

Institution	Country	Legal Status	Shareholders	Clients	Products / Services	Structural Funds Use
CEBANOR – Comité d'expansion économique de Basse Normandie (Regional Development Agency of Basse-Normandie)	France	Public Equivalent Body	Regional Council (80-90%)	SMEs (industry and services, no agriculture)	Non-financial services	Yes
ANATOLIKI – Anaptixiaki Anonimi Eteria Anatoliki Thessalonikis "Anatoliki A.E." (Development Agency of Eastern Thessaloniki)	Greece	Public Equivalent Body	38% Private 62% Local authorities, prefectures, cooperatives	Very small SMEs Agriculture Public authorities / administrations	Non-financial services	Yes
FINPIEMONTE – Regional Development Agency of Piemonte	Italy	n/a	n/a	n/a	n/a	n/a

Snapshot of the Working Group Discussions

The first seminar of the FinNetSME network also witnessed the first meeting of the *working groups*. Each meeting of the partnership is organised in two separate parts: a one day seminar open to regional authorities, local stakeholders and associated members; and a second part reserved to partners, regional authorities, invited “experts”, and aimed to foster discussions on specific topics in view of designing “models” for the future of regional SME Finance.

Four working groups have been created as per today:

- Early stage finance
- Micro-finance
- Equity Finance
- Supply chain

The themes of these working groups were defined during the preparation of the FinNetSME project, according to the needs and learning expectations of the partners, and finalized at the internal meeting of the partnership in Brussels, in November 2004.

Of course it was envisaged that some flexibility should be allowed with regards to the composition and content of the working groups in order to adapt to the findings of the project. This is also why it is foreseen that each working group would have the ability to invite “experts” on specific topics should they need outside expertise or a third party point of view on a specific topic.

1. Early stage finance

This working group is coordinated by Incubator of New Enterprises of Chania (INEC, GR). The members of the working group are representatives of the following network members:

- NRW.Bank (D)
- Sächsische Aufbaubank – Förderbank – (D)
- Investitionsbank Sachsen-Anhalt (D)
- ANATOLIKI (GR)
- Centro Sviluppo Aosta (I)
- FILAS (I)
- EURADA (EU)

The participants made a review of the financial instruments that were available to early stage enterprises in their region. They all agreed that, although financial instruments for SMEs are different in each region, common problems/issues could be identified such as: weak entrepreneurial capacity and managerial skills of entrepreneurs, lack of advisory services (or overabundance), lack of knowledge of equity finance...

The end of the discussion focused on the type of model that would be developed by the group, the elements that it would include and the next steps.

2. Micro-financing schemes

The coordinator of this working group is Investitionsbank Berlin. The members of the working group are representatives from the following organisations:

- Agencia de Desarrollo Economico de Castilla y León (E)
- Investitionsbank Schleswig-Holstein (D)
- Kainuun Etu Oy (KEO) / Finnvera (FI)
- Mortgage and Land Bank of Latvia (LV)
- NRW.Bank (D)
- Finpiemonte S.p.A (I)
- LAMORO (I)

Among the members, there was a variety of motivations for the participation in this working group: Some partners are interested in setting up a micro-credit scheme for the first time, others are looking for new financing sources or would like to exchange, transfer or jointly develop more specific instruments or tools.

Partners presented the micro-credit schemes existing in their region if they had or institutions in their region that covered this part of the regional financial supply chain. All partners agreed that the main problem of micro-credit are the high administration costs due to the small size of loans and the resulting issue of profitability of the schemes. Whereas there are some successful schemes in the new Member States, experience in Western European has shown that public financial support is essential.

Categories of instruments in the regions	Problems common in all regions	“Best practice” examples
Regional loan fund (subsidised / non-subsidised) National / regional funding / refinancing opportunities passed on to commercial banks, partly guaranteed Cooperative / mutual guarantee societies / regional banks	<ul style="list-style-type: none"> • High administration costs due to small size of loan and thus low or non-profitability • Risk aversion of banks • High interest rates • Weak collateral position of SMEs • High percentage of unsuitable business proposals • (Geography) 	<ul style="list-style-type: none"> • Guarantees as additional collateral (EIF, regional, mutual guarantees) • Regional loan fund combining different sources of finance including the revolving use of ERDF (revolving fund according to rule No. 8 of EU Regulation 448/2004) • Risk reducing accompanying business support measures / public grants • Interest subsidy programmes

The working group session ended with a discussion about what the model should look like for this group and what were the next steps.

3. Equity finance

Working Group 3 is coordinated by GEPAFIN (I). The participants of the first working group meeting on equity finance were:

- FILAS (I)
- Investitionsbank Schleswig-Holstein (D)
- Fundación Comunidad Valenciana Región Europea (E)
- Centro Sviluppo Aosta (I)
- INVEGA (LT)
- Investitionsbank Berlin (D)
- Investitionsbank Sachsen-Anhalt (D)

It was agreed for the purpose of the discussion that *equity finance* should be understood as: *“Equity financing is money acquired from the small business owners themselves or from other investors. Stockholders purchasing shares in a corporation, for instance, create equity financing, as do angel investors who provide funding. Small business owners may invest their own funds into their businesses, funds gleaned from inheritance, savings, or even the sale of personal assets, which then serves as equity financing for the business. Besides contributing to a healthy balance sheet, making a personal investment that serves as equity in a business is often necessary to attract other investors and/or lenders.”*

Equity financing has been defined as Financing by selling common stock, preferred stock and/or shares to investors:

- Seed funds, smaller or newly established funds;
- Funds operating regionally;
- Funds focused on specific industries or technologies;
- Venture capital funds financing R&D, e.g. funds linked to research centres and science parks, which in turn provide risk capital for SMEs.

Participants introduced themselves by describing their financial environment with specific reference to the equity tool managed by the partner organisation.

- What? (Description of the financial tools)
- Why? (Needs to be targeted)
- Who? (Target clients)
- Strengths and weaknesses of the tool.

A discussion on the next actions to be implemented followed.

4. Supply chain

The coordinator of the supply chain-working group is EURADA. Participants of this working group were:

- EAPB (EU)
- ANATOLIKI (GR)
- CEBANOR (FR)
- Sächsische Aufbaubank – Förderbank – (D)

Six main topics were looked at:

1. What a supply chain could be
2. Who are the actors
3. What are the problems
4. What solutions can be offered
5. How to identify a best practice
6. What can the working group achieve

The participants later discussed what the final achievements of the working group should be.

The next meeting of the working groups will take place on September 30 in Thessaloniki (GR).

Venture Capital in Greece and the New Economy Development Fund

Venture Capital emerged as a financing support mechanism for high-tech companies in the USA of the 1950s. Among the companies that have been successfully financed and supported in their early as well as their development stage are Intel, Microsoft, Google, Fed Ex, Cisco, Yahoo etc. (Source: Yannis Papadopoulos: "Venture Capital: A Gate to Economic Development", The Economist, January 2005).

This model was imported in Europe during the 1980s; in the last five years, €82 billion have been invested in European companies through Venture Capital Funds. (Source: European Venture Capital Association – EVCA)

To get an idea of how important the contribution of Venture Capital Funds can be in economic growth: 18% of the labour force in the UK is employed by companies that have at some point been financed by Venture Capital Funds (Source: British Venture Capital Association).

In Greece, although there is a strong need for investments and entrepreneurship support, venture capital has only recently started to develop. Venture Capital investments in Greece account for only 0,032% of GDP, compared to the 0,277% European average. (Source: EVCA)

However, according to an EVCA research covering EU 15, Norway, Switzerland, Hungary, Czech Republic, Poland and Slovakia, the Greek taxation and legal system is ranked as the fourth most favourable environment regarding private equity and venture capital investments.

To take advantage of this favourable environment, the Greek State established in 2000 the **New Economy Development Fund (NEDF)**, using as models the European Investment Fund (EIF) and the UK High-Technology Fund. NEDF is a Fund

of Funds, created to co-finance the formation of venture capital funds. The Fund acts as a minority investor; the venture capital funds it invests in are managed by the private sector and investment decisions are taken by the managers using commercial and return-oriented criteria.

The objective of NEDF is to encourage innovative investments in sectors such as telecommunications, IT, e-commerce, biotechnology and new materials, for companies with actual and registered offices in Greece.

The first NEDF investment was undertaken in cooperation with Capital Connect Venture Partners. Among the co-investors were the Pension Fund of Banco Espirito Santo (one of the largest banks in Portugal), as well as CMA Technology Ventures and a number of Greek ship owners. The second venture capital fund was the Zatech Fund, with most important co-investor the Bank of Attica.

The exciting news is that the first regional Venture Capital Fund co-financed by NEDF is being established in Crete. The Pancretan Development Fund is founded by the Pancreta Cooperative Bank, the four Chambers of Commerce and Industry of the island and the University of Crete. The management of the fund is mandated to Pancretan Ventures. Pancretan Development Fund has the form of "Mutual Fund Closed End" (A.K.E.S.) and the size of the Fund is expected to be at least € 6.000.000, a large part of which is contributed by the New Economy Development Fund.

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The role of INVEGA in Lithuania

INVEGA is the Lithuanian partner of the FinNetSME project. It is a guarantee institution that provides support to Lithuanian SMEs in the form of loan guarantees and other innovative guarantee instruments.

Owing to the size of collateral required by the banks (150% of the loan amount), small and start-up companies in particular find it difficult to take loans offered by the commercial banks. To facilitate access for small and start-up companies to financing sources, the Lithuanian Government passed on 11 July 2001 a Resolution concerning the set up of a guarantee institution. This institution was established on 29 November 2001 under the name of the UAB „Investiciju ir verslo garantijos“ (Investment and Business Guarantees) (hereafter referred to as INVEGA). The Ministry of Economy of the Republic of Lithuania was assigned as the founder and supervisor of the new institution. The authorised capital of INVEGA amounts to LTL 20 million (EUR 5,8 million). INVEGA was established as a result of the reorganisation of the UAB Lithuanian Export and Import Insurance.

As of 1 April 2005, INVEGA provided 502 guarantees for loans extended to SMEs by banks for a total amount of over LTL 116 million (EUR 33,6 million). More than 70% of all guarantees issued were for the loans for investments; the SMEs planned to create more than 2.400 new workplaces through the projects financed through INVEGA's guarantees.

The INVEGA guarantees are considered equal to sovereign guarantees. Therefore, it is easier for perspective businesses without sufficient collateral to get financing for their start-up and development phase, as banks are more willing to finance new businesses if they can reduce their commercial risk. According to its activity regulations (up to September 1st 2003), INVEGA used to issue guarantees to banks of up to 80% of the **losses** of the investment loan and up to

50% of the working capital loans extended to SMEs.

From September 1st 2003 INVEGA introduced the new guarantee scheme, which is based on the “**First instalment**” guarantee principle - the first part of the loan is guaranteed. After the debtor repays to the bank the first 50 percent of the loan, the guarantee ends. Due to this principle and according to the guarantee obligations limit, defined by the Government of the Republic of Lithuania every year, more SMEs will have the possibility to benefit from INVEGA's guarantees, as INVEGA guarantee obligations will end relatively faster, and therefore it will increase amount of potential beneficiaries.

Particular attention is given to the finance of micro-companies. Under the new scheme, INVEGA provides guarantees up to 80% in case of investment micro-credits (maximum amount of the loan is EUR 25.000 for micro-companies).

The financial instruments under the framework of the European Commission's "Multi-annual Programme for Enterprise (MAP)" which is managed by the European Investment Fund (EIF) and will run until its replacement by the Competitiveness and Innovation Programme (CIP) in 2007, became available to the candidate countries in the beginning 2003. INVEGA applied for EIF counter-guarantee under the SME Guarantee Facility's window "Loan Guarantees", and on 5 March 2004 signed a 13.6m€ loan guarantee agreement with the EIF. Eligible guarantees to be covered would be referenced to medium and long-term investment loans. Additionality is measured in terms of increased volumes of INVEGA's first instalment guarantees, an innovative guarantee product aimed at supporting small businesses in Lithuania.

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Who Finances Innovative French Start-Ups?

In its latest issue of EURADA News (252 04/05), EURADA has published a study that is an analysis of the special report on start-ups published in the January 2005 issue of “L’Usine Nouvelle”, a French weekly newspaper (www.usinenouvelle.fr).

Source and sample

In its issue n° 2948 of 27 January 2005, the French magazine “L’Usine Nouvelle” published a series of articles on 110 start-ups referred to as “the hope of French industry”. These SMEs were all established less than five years ago; they are all innovative and promising. They were selected by the magazine’s reporters among 250 businesses identified by public and semi-public business development organisations including ANVAR, RDAs, incubators and “technopoles” (science and technology parks).

Selected start-ups were grouped into 11 industrial sectors and presented in standardised format. Information about each business included: location, time of establishment, name of founder, turnover (actual or projected), capitalisation and round(s) of finance, employment and product description.

We focused our analysis on the “initial involvement and subsequent rounds” dimension in order to derive indications on the financial sources of promising French start-ups.

We recognise that the number of companies taken into account is small and not randomly selected. It should be noted and reminded that this analysis is only valid for the few high growth SMEs of the sample.

Lessons

It emerges from this sample analysis that:

- The top funding sources of start-ups are their founders and private individuals (the famous “3Fs”: Family, Friends and Fools), to which can be added start-up employees in the specific case of spinouts of businesses and research centres;
- Business angels only appeared in six cases. However, all six were involved in start-ups operating in one of just four industries, i.e.: i) telecom, multimedia and networks, ii) mechanical industry, iii) medicine and instrumentation, iv) biotech and pharmaceuticals;
- Venture capital funds appear in 23 instances;
- Regional funds played a role in 11 cases

The number of occurrences of the different types of equity suppliers is summarised in the table below.

Table 1. Investor types and shareholders

	No of occurrences	No of cases where data was available	Shareholders			
			100%	75-99%	50-75%	<50%
Founders	59	51	11	14	15	11
Private investors (3Fs)	57	54	14	6	7	27
Business Angels (BAs)	6	3	-	-	-	3
Venture Capitalists (VCs)	23	18	2	2	3	11
Regional funds	11	8	-	1	-	7
Businesses	9	9	-	1	2	6
Research centres	7	5	-	1	0	4
Others (unspecified)	8	0	-	-	-	-
TOTAL	180	148	27	25	27	69

It emerges from this table that the main funding sources of businesses are their founders and the 3Fs and that in the case of 45 businesses; these concentrate more than 75% of initial stock.

➤ Initial investment ranges between a minimum of €7,630 and a maximum of €5.5 million.

The table below illustrates the distribution of sample businesses across the range of initial investment amounts.

Table 2. Importance of the amount invested

Amount invested	No of businesses
< €10,000	4
€10,000-50,000	28
€50,001-100,000	22
€100,001-250,000	20
€250,001-500,001	9
€500,001-1,000,000	4
> €1,000,000	3
TOTAL	90

➤ Total start-up equity supplied to sample businesses amounts to €23,995,000, of which €11 million were brought by VCs to just two start-ups. This amount does not include €2,920,200 raised by three start-ups during a second round of finance.

The table below presents the amounts invested by the seven main types of investors.

Table 3. Importance of amount invested by type of investors

	Total	%	Minimum	Maximum	Average
Founders	€4,609,000	19.2%	€8,000	€448,500	€86,967
3Fs	€4,944,000	20.6%	€1,440	€760,000	€95,088
VCs	€12,920,000	53.8%	€5,000	€5,500,000	€680,005
Regional funds	€441,000	1.8%	€4,400	€287,280	€63,049
Businesses	€452,000	1.9%	€5,155	€242,000	€50,236
Research centres	€42,500	0.2%	€2,145	€29,400	€10,563
BAs	€49,800	0.3%	€13,300	€36,000	€24,900
Others	€480,200	2.0%	-	-	-
TOTAL	€23,938,500	100%			

Subtracting from the sample the two businesses that raised €11 million from VCs, the above table changes into the table below:

Table 4. Importance of amount invested per investors without taking into account the 2 major VCs investments

Founders	€4,609,000	i.e.	35.5%
3F	€4,944,000	i.e.	38.0%
VCs	€1,920,000	i.e.	14.8%
Regional funds	€441,000	i.e.	3.4%
Other businesses	€452,000	i.e.	3.5%
Research centres	€42,500	i.e.	0.3%
Others	€538,000	i.e.	4.6%
TOTAL	€12,946,500		100%

This last table confirms that newly-developed businesses have little or no access to any type of seed venture capital. Indeed, nearly 75% of equity investment in our sample of French start-ups is contributed either by founders themselves or by the 3Fs.

- Worth noting is that out of 32 business projects for which relatively detailed information is available regarding investment by VCs, BAs, regional funds, other businesses and research centres, at least 12 have had access to a minimum of two different funding sources.
- Also noteworthy is that in the case of 39 investors where the size of the investment is known, the majority have invested less than €50,000. Furthermore, their investment accounts for less than 25% of the total shareholding in the company.

Both tables below introduce more detailed information about this type of data:

Table 5. Investment amounts by professional investors

Invested amounts	No of investors
< €10,000	10
€10,001-50,000	16
€50,001-100,000	4
> €100,001	9
TOTAL	39

Table 6. Relative importance of the stake taken by the professional investors

Share of capital	No of investors
< 10.00%	11
10.01-25.00%	13
25.01-50.00%	8
> 50.01%	4
2 nd round of finance	3
TOTAL	39

Geographically speaking, investors are quite equally distributed across the country: there is at least one in each of the twelve regions below:

Table 7. Geographical concentration of professional investors

Regions	No of investors	Regions	N° of investors
Ile de France	12	Poitou-Charentes	1
Rhône-Alpes	4	Aquitaine	1
Midi-Pyrénées	3	Lorraine	1
Nord-Pas-de-Calais	3	Champagne-Ardenne	1
Alsace	2	Pays de Loire	1
Provence Alpes Côte d'Azur	2	Bretagne	1

- In terms of specific sectors, it appears that companies operating in industries such as biotech/pharmaceutical, IT and telecom require more initial investment than businesses operating in the other eight sectors. Indeed, three out of five start-ups operating in the biotech/pharmaceutical industry quickly launched a second round of funding (they were respectively set up in October 2001 and February and December 2003).
- As far as the gender and nationality of founders are concerned, worth noting is that:
 - Nine businesses were set up by women. Initial equity varied between a minimum of €7,630 and a maximum of €100,000. In the case of six of those nine start-ups, more than 75% of the share are in the hands of the founder or her family;
 - Judging subjectively from the names of business developers, it emerges that eight businesses among the sample were set up by migrants. Initial equity raised in their case varied between €37,000 and €293,851 (i.e. larger amounts compared to women entrepreneurs). Four out of those eight businesses were created by migrants with non-European sounding names and 4 by developers with European-sounding names. Also significant is that discriminating data based on this last ethnicity criteria, it emerges that initial capital varied between €37,000 and €124,000 among the former group and between €100,000 and €293,851 among the latter. Not surprisingly, those enterprises have been created in Sophia-Antipolis and Montpellier science parks.
- As far as the leverage of initial capital in terms of jobs created is concerned, we can see that:
 - The 87 enterprises, for which data is available, have created 783 jobs (this means just below 10 jobs per enterprise on average);
 - The ratio initial capital per job created is in average 16.600 € per job;
 - The average by sector ranges from 7.250 € in sectors such as chemicals/ environment or medicine instrumentation to 54.000 € in the sector energy/air conditioning;
 - 64 jobs were created by enterprises having received equity from regional investment funds for a total amount of 601.722 €. This means that the cost for public money is 9.300 € per job created.

Regional distribution of the 106 start-ups comprising the sample

In geographical terms, it can be noticed that two regions account for a sizeable share of start-ups: Ile de France and Rhône-Alpes.

Table 8. Geographical concentration of start-ups

Regions	No of enterprises
Ile de France	22 businesses
Rhône-Alpes	21 businesses
Bretagne	10 businesses
Languedoc-Roussillon	8 businesses
Midi-Pyrénées	6 businesses

The top three regions concentrate almost 50% of all start-ups mentioned in the magazine.

Food for thought

1. To promote the development of new start-ups it would be advisable/wise for national public decision-makers to focus more on tax incentives for equity invested by the 3Fs, in a complementary way to the efforts made by regional public authorities to put in place sophisticated financial development support schemes!
2. It is confirmed that women and migrant entrepreneurs face more difficulties in accessing finance compared to other business developers. An effort should be made to stimulate entrepreneurship culture amongst these 2 target groups and to highlight “success stories” in this field.

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Dissemination of the FinNetSME project by Investitionsbank Schleswig-Holstein

Communication of FinNetSME aims and results to regional policy makers in Schleswig-Holstein/Germany.

On the occasion of a regional INTERREG conference organised by the Federal State Chancellery in Schleswig-Holstein on 8 April 2005, the Investitionsbank Schleswig-Holstein (IB-SH) presented how interregional cooperation through the FinNetSME project helped pursuing the Lisbon and Gothenburg objectives. The event was attended by around 60 policy makers and project developers from the Baltic Sea Area.

In a welcome address Klaus Rave, Member of the Board of IB-SH, underpinned the active involvement of the bank in the programme management of INTERREG III in Northern Europe and particularly the Baltic Sea Area. He presented how Structural Fund management and the promotion of competitiveness and employment at regional level could be combined in one regional funding institution.

Angelo Wille presented the aims and the first results of the FinNetSME network as a practical example of interregional cooperation. He explained the goal of FinNetSME to foster the sustainable exchange of experience between regional SME-financiers with a view to produce tailor-made financial products which facilitate access to finance for SMEs. He later reported on the first outputs of the project's working groups. One of the underlying focus of the presentation was to present FinNetSME as a successful tool with which the Lisbon goals of competitiveness and employment could be pursued within the framework of interregional cooperation.

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FILAS and the Silk Avenue Project

FILAS, our Italian partner in the Lazio region, is involved in a project seeking to create new trade routes between Asia and Europe for the Audiovisual Sector and its small and medium sized companies.

Over the past twenty years, the audiovisual industry has undergone a worldwide growth, superior to that of any other sector and, simultaneously, has been infused by increasingly important technological innovations. This revolution, which began in the United States and Japan, has rapidly expanded and is now firmly rooted in the European and Asian markets, too.

In fact, the Audiovisual (AV) industry has become a strategic sector not only for Europe and Asia but also for many other regions around the globe. The backbone of the industry is formed by thousands of small and medium-sized enterprises that are necessary to help sustain both the economy and socio-cultural development in general.

The European Union's audiovisual market is the largest in the world and is expected to grow by about 70% over the next decade. This makes it a perfect partner for the upcoming and rapidly expanding markets of south-eastern Asia.

It is in this perspective that Filas, the Financial Development Agency of the Regione Lazio, devised the "Silk Avenue Project" to increase economic cooperation and trans-national agreements between European and Asian SMEs operating in the audiovisual sector.

At the heart of the project lies a major matchmaking event that will bring together more than 150 European and 100 Southeast Asian SMEs operating in the AV sector and which will be held in Rome, Italy on October 13-14, 2005.

Registration is currently open for the **Silk Avenue Matchmaking Event**, and will provide AV enterprises from Italy, Spain, Germany and the Czech Republic with the opportunity to meet more than 100 enterprises from India, China, Malaysia, Sri Lanka, Thailand and the Philippines on a

one-to-one basis in order to promote research, innovation and business.

Audiovisual companies interested in registering for the Silk Avenue Event will find an on-line registration form and all the necessary information on the project website at www.silk-avenue.org

As far as the Silk Avenue Event is concerned, the AV Sector is understood to include the film, broadcasting (TV and radio), video and multimedia markets. Particular attention will be given to film production, digital animation and cartoons, documentaries and TV fictions. The focus of the event will be on the revolution of the AV sector as a result of the impact of the new digital technologies.

The Silk Avenue Project is coordinated by Filas, the Financial Development Agency of the Regione Lazio, and co-financed by the European Commission through the Asia-Invest programme. The Asia-Invest Programme is a European Union initiative that aims to promote and support business co-operation between the EU and Asia, for increased trade and investment flows between the two regions.

The Silk Avenue Event

Day 1 (October 13)

The day will begin with a plenary session with welcome addresses by the institutional authorities to kick-off the event. This will be followed by an introduction to the event by the main organiser and a seminar, including a speech by an invited testimonial, the analysis of remarkable experiences in the AV industry, and a wrap-up conclusion on the future of collaboration between Europe and Asia in the AV sector.

Following the lunch break, bilateral meetings among the participants will be held for the remainder of the afternoon. The meetings will be pre-arranged on the basis of the profiles and interests of the participants collected through the on-line business meeting requests available on the site. However, there will also be the opportunity for all delegates to organise unscheduled meetings.

A networking event will be hosted at the end of the day to allow the further development of contacts between delegates in a more informal atmosphere.

Day 2 (October 14)

Bilateral meetings among the participants will be hosted for the entire duration of the second day.

Eight "one-to-one" business meetings will be arranged for each participating enterprise, amounting to a total of 2000 meetings.

Pre-event programme

On the pre-event "Day 0" (October 12) preceding the actual Silk Avenue Event, guided visits will be organised to AV company studios including demos of the products, services and facilities. The organisations that have already expressed interest in organising guided visits include Cinecittà Studios, Videa, Infobyte and L.V.R. The guided visits may also include parallel workshops/tutorials on a number of key topics indicated by AV experts during the project definition phase (certainly including Digital Rights Management, Digital restoration, Digital animation and paperless, Virtual set).

The role of FILAS in the Silk Avenue Project

Filas' mission is based on research and development and the management of tools related to innovation and new technologies in order to boost the competitiveness of the Regione Lazio. As the reference agency for the European Union's Sixth Framework Programme for Research and Development (6PQ), Filas promotes project proposals and initiatives with the aim of developing new models of international cooperation capable of promoting high-level partnerships between Universities, Research Centres and Industry in order to improve SME access to advanced and innovative technological know-how.

Filas has aligned its strategy with the national and European drive for collaboration with the major Asian states. In particular, Filas is working on creating profitable alliances between Lazio region and Asian SMEs as a tool to foster the increased competitiveness of SMEs and help Lazio region SMEs participate in cross-border, trans-national and interregional projects.

All Filas project proposals have the common objective of promoting European competitiveness globally.

Silk Avenue Partners

Coordinating Partner:

- FILAS, Financial Development Agency of the Regione Lazio, Italy

European Partners:

- Euro Info Centre (IT374) Unioncamere - Mondimpresa, Italy
- Cámara Oficial de Comercio y Industria de Madrid, Spain
- Camara Oficial de Comercio, Industria y Navegacion de Valencia, Spain
- IHK-Gesellschaft zur Foerderung der Aussenwirtschaft und der Unternehmensfuehrung mbh, Germany
- Economic Chamber of the Czech Republic, Czech Republic

Asian Partners:

- Indo-German Chamber of Commerce, India
- China Council for the Promotion of International Trade, China
- Thai-Italian Chamber of Commerce, Thailand
- Technopreneurs Association of Malaysia (TeAM) - Malaysia
- European Chamber of Commerce of the Philippines, The Philippines
- European Chamber of Commerce of Sri Lanka, Sri Lanka

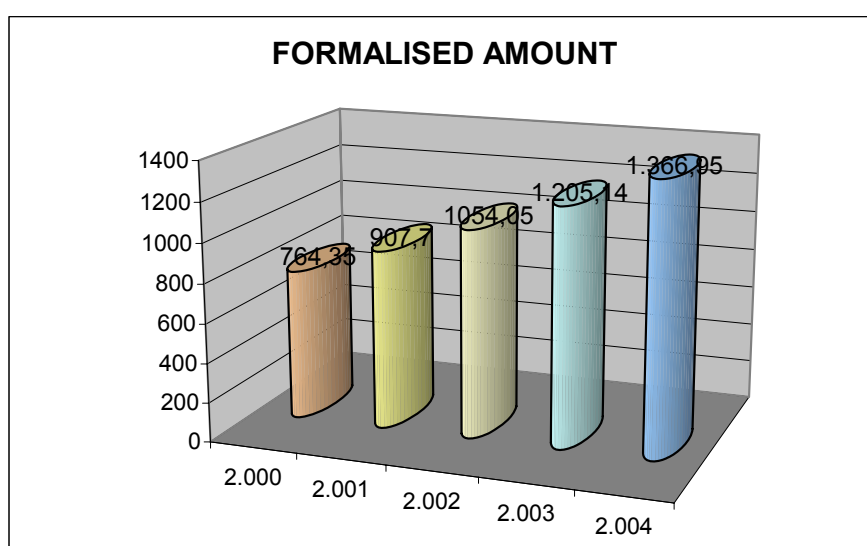
For further information:

www.silk-avenue.org ;
info@silk-avenue.org

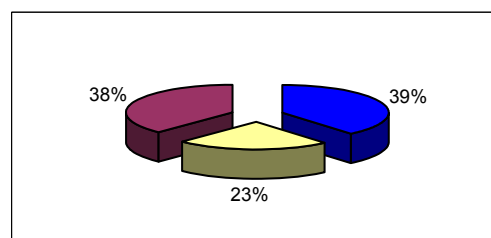
Encouraging statistics from the Mutual Guarantee Society of Castilla y León

Iberaval SGR (the Mutual Guarantee Society of Castilla y León) formalized 10,411 guarantees during 2004. This represents an increase of 11.5% from the previous year. Since the beginning of its activities, the amount of operations formalised by this company reaches 1,367 million Euros, with an increase of about 79% during the period 2000-04. From this amount, 161.81 millions were formalized during last year, with a growth rate of 7%. Concerning the distribution by products, the financial guarantees represented an amount of 62.97 million€, the provisional bails?? in second place with 60.97 million Euros and finally, the non-financial guarantees with 37.86 million €. In terms of sectors, the primary sector formalised 6.4 million€ worth of operations, the industrial sector reached 23.15 million €, the construction sector raised its value up to 57.62 million€, while the tertiary sector decreased its figures to 74.64 million€

Formalised guarantees by product

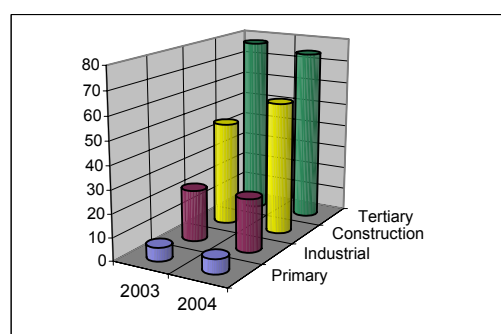


	Amount	%
Financial guarantees	62.97	38.92%
Non financial guarantees	37.87	22.40%
Provisional bails	60.97	37.68%
Total	161.81	100%



Formalised guarantees by sectors

	2003	2004	%
Primary	5.89	6.4	8.66
Industrial	22.45	23.15	3.12
Construction	45.36	57.62	27.03
Tertiary	77.38	74.64	-3.54
Total	151.08	161.81	7.10

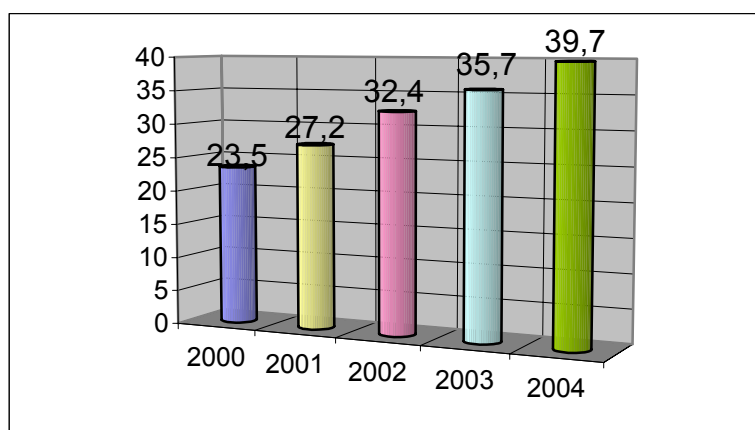


The guarantees generated over 1.708 million€ in induced investment

Throughout its history, Iberaval has generated induced investments of around 1,708,68 million Euros, supported the establishment of 3,905 companies, the creation of 19,524 jobs, the maintenance of another 188,760 employments, and maintains relationships with 15,619 companies. These figures show the great work carried out by the organisation to support the SMES of Castilla y León, and its importance to sustain the dynamism of the regional economy.

Induced investments	1,708.68
New companies	3,905
New employments	19,524
Related jobs	188,760
Associated companies	12,547
Relationships with companies	15,619
Amounts in millions Euro	

Private means



Iberaval S.G.R awards the best business initiatives

Apart from the economic figures that achieved better results than expected for 2004, during the last year the Mutual Guarantee Society developed some initiatives foreseen in its strategic plan such as the implementation of the "Iberaval Awards". The 2004 Award went to the Agencia de Desarrollo Económico de Castilla y León, for its continuous support given to the local enterprises in the region over the past years. This prize seeks to recognise the important effort made by the Agency (JCYL) in trying to finance any viable project in the region.

Iberaval also organises the Fona@de Awards, that are focused on the best investment of this programme. In this first edition the winners were "Gráficas Varona (Salamanca)" a printing company, "Proingesa (Valladolid)" a high-tech engineering company and finally "Los Ojos de la Jara (Arenas de San Pedro, Ávila)" a quality rural tourism centre especially adapted to disabled persons.

Iberaval SGR renews with the successful Fona@de programme, creates a new website and fosters its alliances with Ibero-America.

It is very important to emphasise the renewal of the contract with the ADE to run the new programme Fon@ade, which was presented in April. Its purpose is to facilitate the access to

finance for SMEs through guarantee micro-loans and swift loans financing up to 75% of the investments in new fixed assets. This measure has been selected as one of the best tools to finance SMEs in Europe by the EU.

Another important innovation was the opening of a new website called “avalia.com”, aimed to fasten the access to technical guarantees. In addition, Iberaval provided several mutual companies in Spain and Iberoamerica with technical support. In this way, it supported the establishment of the first Mutual Guarantee Company in El Salvador and also in Central America, which was authorised to start its operations last September.

SODICAL SCR

The Society for the Industrial Development of Castilla y León, SODICAL SCR, is a venture capital society established in 1982 with more than 20 years of experience in the sector of risk capital.

Its activities focus on established companies and on the creation of new ones, supporting management and providing business services.

Sodical SCR provides financial resources by investing private means with a minority stake and in a temporary way. The investment amounts usually between 180,000 and 1,200,000 Euros.

Sodical SCR can also provide medium and long term loans in market conditions to the companies in which it participates

Sodical SCR has the possibility of participating in companies through another way, quite unusual for the Spanish market: through subordinated loans. These are characterised by the fact that interest rates have a fixed part and a variable part depending on the results of the company or on other signs of company development

Seed Capital Programme of Sodical and ADE

This is a programme created in collaboration with the Agencia de Desarrollo Económico de Castilla y León. Its aim is to finance small projects requiring investment between 6,000 and 120,000 Euros.

The seed capital can take the form of equity capital or a subordinated loan. In the first case the share must always be minority and temporary. In the second option the maximum amount cannot exceed 75% of the investment.

For more information, please contact:

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Banca San Francesco becomes the 1st Associate Member

Banca San Francesco Credito Cooperativo from Sicily is the first associated partner of the FinNetSME network. Following its participation in the Kick-Off Conference of the project on 25 November 2004 in Brussels, the Bank had confirmed its interest in the activities of the network by applying for the Associate Partner statute. This first application was accepted by the Steering Group in its meeting in Vilnius on 10 February 2005.

Banca San Francesco Credito Cooperativo is a cooperative society established in 1901 by a group of craftsmen, farmers and entrepreneurs. With its head office located in Canicatti, the bank operates in Sicily with 15 branches in the district of Agrigento and 2 in that of Catania. Sicily is an EU objective 1 region that, in addition to the problems of underdevelopment, has difficulties to treat with public financial authorities due to problems with the out of pocket expenses of enterprises.

Banca San Francesco is a member of the Italian Federation of Cooperative Credits Bank and of the Banking Group Iccrea Holding spa in Rome. Since 2002, the bank has been introduced in the national observatory of the Agency for Local Development developed by Formez (Italian Institute providing support, accompaniment and training to public administrations, www.formez.it) to float the project “**Valore Impresa**” launched by the board of directors of the bank in June 2002. This project seeks to promote the economic development of the Sicilian territory and to offer assistance and management consulting to SMEs with the support of the public authorities.

Banca San Francesco is also a member of the Department of Communication of the Presidency of the Sicilian Region for the expected measures of POR Sicilia 2000-2006. It participates in this project by providing information about community and national funding assistance for SMEs located on the territory.

The bank is also partner in many projects to valorise the potential resources of the local territory. Recently, it has been involved in international territorial marketing to encourage local enterprises to participate in international promotional events. This activity has been undertaken together with Simest spa (Italian Society for abroad enterprises) and I.C.E. (Institute for the Promotion of Foreign Trade).

Thanks to the participation of Banca San Francesco in the conferences organised by EURADA and FinNetSME, we understand that only cooperation between regions can lead to winning the struggle against underdevelopment and poverty. This is the aim that Banca San Francesco wants to achieve and, as Mr. Christian Saublens (Director of EURADA) stated at the Vilnius Seminar: “*We want to help disadvantaged regions to exploit the opportunities offered by globalisation. In fact, even local economies can offer qualified products which can reach every part of the world through the globalisation process*”.

To realise this project, our territory needs to connect to institutions that promote the development of SME activities. Banca San Francesco would, therefore, like to cooperate with EURADA and the FinNetSME network, and thanks to its geographical position develop relations with the Mediterranean countries in consideration of the free trade area foreseen in 2010. In this regard, Banca San Francesco, in conjunction with FinNetSME and EURADA is looking to promote an International Conference to offer development models to countries of the Maghreb. This initiative would improve the relations between EU and Mediterranean countries, united in the struggle against underdevelopment.

For more information, contact:

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T: +39 0922/ 732 244,
E: racalbutov@canicatti.bcc.it

Interested? How to become an Associate Partner?

PLEASE COMPLETE THIS FORM IN BLOCK LETTERS AND SUBMIT IT IN BOTH ELECTRONIC AND PAPER VERSION TO:

Electronic version: FinNetSME@sab.sachsen.de

Paper version: Sächsische Aufbaubank – Förderbank –
State Development Bank of Saxony
Peter Flath
Pirnaische Straße 9
D-01069 Dresden
Germany

For further inquiries, please contact:

Peter Flath	Friederike Kunckel
Project Manager	Project Assistant
Tel. +49 351 4910-4080	Tel. +49 351 4910-4083

Conditions for an Associate Partnership of FinNetSME:

- Structure and aims similar to those of the formal network partners;
 - Structure: Owned, run or mandated by a public authority
 - Aims: Contribution to regional development via promotion of SMEs
- Ability and willingness to make an essential contribution to the network objectives;
 - Objectives:
 - Improvement of access to finance for SME
 - Closure of the equity gap
 - Promotion of entrepreneurship
 - Reduction of unemployment
 - Contribution to regional economic development
 - Sub-Objectives:
 - Collection and assessment of existing regional finance practices
 - Development of innovative models for regional SME finance
 - Raise of awareness for importance of public SME support
- Acceptance of the duties and rights (see below).

Rights of an Associate Partner:

- Participation in the seminars and, upon special invitation, in the workshops;
- Direct access to information (e.g. to the database of best practices);
- Provision of a forum (e.g. via the newsletters, links from the project website).

Duties of an Associate Partner:

- To bear own costs for the participation in the network events;
- Contribution of best practice examples to the database (see annex for structure);
- Contribution of newsletter articles, including on the relevance of the new Associate Partner to the partnership and to the network results.

CONTACT DETAILS

Full title of the institution in original language:

Title of the institution in English translation:

Acronym / short title of the institution:

Address:

Postal code:

Town:

Country:

Region:

Contact Person:

Phone: (Please include country code)

Fax: (Please include country code)

E-Mail:

Website:

PROFILE

Brief description of the institution's structure (incl. legal status [e.g. public / public equivalent / public-private / private] and role of the public sector in the activity of the institution [e.g. founder, shareholder, funds provider, subsidy provider]):

Brief description of the institution's activity profile (objectives, services provided):

Geographical area of action (if possible, indicate NUTS level):

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Please explain what you expect to benefit from an Associate Partnership of FinNetSME:

Please explain what you want to contribute to FinNetSME as an Associate Partner
(Specify your expertise, competencies and specific know-how in the field of SME promotion):

How have you learned about this project and the option of an Associate Partnership?

STATUTES

By signing this application form, I/we confirm that

- The above information is true and correct;
- I/we understand and accept the duties and rights linked with an Associate Partnership of FinNetSME, as stipulated above.

Name, Title and Position of Signatory:

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Place, Date:

--

Signature and Stamp:

--

Newsletter coordinator

EURADA

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Project Website

www.finnetsme.org