

Input Paper “Access to Finance”

The written presentation of cases selected for the meeting in
Bolzano, 5th March 2020



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Introduction

On 5th of March the first Alpine Space Open Table was supposed to be held in Bolzano, focussing on the topic of “Access to Finance”. Due to the unforeseeable COVID-19 crisis, the event had to be cancelled on short term.

This input paper collects the contribution of the planned presenters, giving examples on programmes supporting SMEs in the topic of access to finance from different regions in the Alpine Space area, starting with an introduction to activities of A2F in South Tyrol by Luca Filippi, Deputy Secretary-General at the Chamber of Commerce Bolzano, followed by an insight to the EU perspective for the new phase by Armando Melona, DG Grow H3. In the end Christina Koch from Austria Wirtschaftsservice gives two good practice examples from Austria on funding programmes that enhance intersectoral cooperation.



Introduction to activities of A2F in South Tyrol and BE-READI ALPS

Luca Filippi, Deputy Secretary-General, Chamber of commerce of BOLZANO/BOZEN

SMEs are the core of the local economic and productive system in South Tyrol.

At the local level, the preferred channel for access to credit remains the traditional and conventional banking sector, while alternative financing is still a niche market, though it has shown signs of growth in recent years compared to the Italian market.

The South Tyrolian business ecosystem is polarized into two major actors:

- the local market: a first one, naturally aimed at the local market, which operates in the classic sectors of intervention, especially in the handcraft sector.
- the innovation effort: alongside this consolidated system emerges an innovation-intensive economy and the result of the interventions made to promotion of the innovation system with very precise characteristics:

- a global vision
- a permeable organisational structure in which R&D are an integral part high-intensity relationship and qualification systems
- few interactions with the traditional business system

Alongside these two main actors there are consolidated trade associations with different traditions and weight and intertwined with the historical development of the territory. These associations have strong ties with their members and are deeply rooted in the local economic system. On this regard, the recent years seem to have stimulated an intersectoral collaboration that goes beyond the apparent self-referentiality of the past.

In our region also the NOI Tech Park is situated, an Innovation Hub, that strengthens the innovation effort of our companies.

At regional level, in recent years, different public and private stakeholders have undertaken several initiatives to promote alternative finance in order to facilitate access to finance.

The Chamber of commerce of Bolzano as a partner of the EEN network, has set up an information desk at its headquarters for local companies.

This information desk provides companies with an overview of existing financial instruments both at local and European level.

Particularly micro enterprises and start-ups have difficulties in accessing small loans. The Chamber of commerce in order to deliver assistance in the field of access to microfinance, will set up a microfinance contact point for start-ups and micro enterprises.



The mission of this contact point is to promote access to credit for micro businesses through the promotion of microfinance instruments, technical assistance, research, training and the dissemination of good practices.

In order to guarantee an efficient and up-to-date service, the main players in the local financial system have been contacted in order to obtain a complete overview of the services offered in terms of access to finance.

It emerged that most local banks and intermediaries currently have an agreement with various guarantee funds financed by the EU, while considering instead possibilities of alternative finance, especially crowdfunding platforms are involved. At the time 24 projects have been financed in South Tyrol by a donation and reward funding platform.

This mapping of the locally available financing instruments was extremely useful in creating a knowledge base about the regional availability of appropriate financing products of different kinds, such as grants, loans, guarantees, mezzanine and others.

The Innovation Service Point of the Autonomous Province of Bolzano/Bozen - South Tyrol plays an important role in providing support in the granting of innovation facilities and innovation Calls for Proposals (cooperation projects and for specific economic sectors). At present, most revolving funds and guarantees are disbursed, with fewer actual contributions as was customary a few years ago).



Access to Finance- the EU perspective for the new phase

Armando Melone, DG Grow H3

SMEs play a key role for the creation of growth and jobs in Europe and across regions, including in the Alpine Space. These companies with less than 250 employees, often with traditional business models, are the backbone of our economy. They account for 99% of the total number of companies in EU, for 67% of people employed and 57% of total value added.

To allow SMEs to flourish in the EU, both policy makers and businesses need to act. Companies must enhance their management practices and broaden their understanding of innovation. Policy makers need to ensure consistent policy frameworks in areas critical to innovation, support cooperation across industrial value chains, reduce market fragmentation and ensure funding.

The latter is of particular relevance for policy makers. In Europe, SMEs still have problems accessing various forms of finance. This is valid across all the regions, including the Alpine space. Financing gaps exist and the COVID-19 situation has exacerbated the issues. Bank lending is the most common source of finance for European SMEs, according to the latest SME Access to Finance Survey conducted by the European Commission and the European Central Bank. However, we still observe a relevant percentage of SMEs who applied for bank financing but did not receive the financing they had planned for.

Though there is little variation between the proportion of SMEs applying for bank loans across sectors of industry, there is strong correlation between enterprise size and the degree of application success: the smaller the enterprise, the higher its chance of not getting a loan. This situation naturally raises concerns on smaller companies' ability to raise finance in the EU.

On the upside, one should recall that there are plenty of alternatives to traditional bank lending for start-ups and SMEs seeking finance in EU. Depending on the size of the investment and the stage of a company's growth, money can be raised through family and friends, crowdfunding, business angels, venture capital, listing on a stock exchange etc.

Equity is an important source of finance, particularly venture capital. However, it is taken up by only a minority of start-ups and SMEs. This is not only a demand-side issue: in some EU countries equity markets, including public ones, are less developed than in others.

The European Commission is committed to solving these issues, that the COVID-19 crisis has deepened. It has in place a set of different policies aimed at varying from financial instruments, regulatory tools to "soft" power. These policies set a framework for the medium to long term, but they are also valid to address short-term liquidity issues faced by SMEs as a consequence of COVID-19.

A share of the EU budget is dedicated to programmes and instruments supporting innovative start-ups and SMEs. Within the programming period 2014-2020, the Commission has in place the **COSME** programme which supports the achievement of various objectives, including better access to finance for SMEs, access to markets for SMEs, entrepreneurship, and more favourable conditions for business creation and growth.



To improve SMEs' access to finance, COSME uses financial instruments in the form of a risk-sharing mechanism and an equity instrument which are solely available for SMEs. The **Loan Guarantee Facility** mainly provides guarantees to financial intermediaries for lending to riskier SMEs (transactions which financial intermediaries would not be prepared to do if they had to bear the risk alone). The **Equity Facility for Growth** focuses on investments into risk capital funds which in turn provide equity financing to SMEs in their growth and expansion stage. Both instruments complement those available under the **Horizon 2020 InnovFin** programme, which are dedicated mainly to innovative SMEs and small mid-caps, and the instruments available under the SME window of the **European Fund for Strategic Investments**. Most of the EU financial instruments are implemented by the European Investment Bank group on behalf of the European Commission and deployed via local financial intermediaries who support companies at local level e.g. via traditional bank loans. A comprehensive list of all the intermediaries supported by these and other EU financial instruments is available.

For the future framework period 2021-2027, financial instruments for SMEs will be available under the future **InvestEU** programme that will contain a dedicated SME window building on the success of the existing financial instruments for SMEs.

However, if we want to have a durable impact on economic conditions in Europe, then we need more structural change too. For these reasons, the Commission is addressing the main bottlenecks that SMEs are facing, notably through a dedicated **SME strategy**, and by further developing its **Capital Markets Union strategy**, that will help SMEs' access to capital markets-based financing.

Improving the financing landscape for SMEs is a necessary condition for a prosperous European economy across all regions, including the Alpine space. To face the issues, that the COVID-19 crisis has exacerbated, efforts should be undertaken by the EU jointly with national, regional and local administrations to support growth and job creation, enabling Europe to exit from the crisis and fulfil again its economic potential.



aws good practice: funding programs to enhance intersectoral cooperation

Christina Koch, Austria Wirtschaftsservice

Using the transformative power of creative companies to support SME from the wider economy is one of the three main pillars of the Creative Industries Strategy for Austria¹. It is a clear goal for Austria to enhance cooperation between creative industries and the wider economy.

So far Austria Wirtschaftsservice has two financial instruments, that are enhancing those kinds of cooperation.

1. Kreativwirtschaftsscheck (National Creative Voucher)
2. Creat(iv)e Solutions Programme

Kreativwirtschaftsscheck (National Creative Voucher)

General Description

KWS is a voucher worth up to 5.000€ to be used by any kind of SME based in AT for cooperation with a creative service provider from anywhere in the world.

Creative entrepreneurs are pioneers in developing and applying new forms of work and are often the basis of new services or organisation models. SME coming from other sectors mostly aren't aware of the potential benefits arising from cooperating with a creative. The idea behind the KWS was to fund small-scale incentives to trigger cooperation between SME and creatives.

The scheme was first developed and tested through an EU-project (ECIA) in the CIP program and then became a national program.

KWS is a low-threshold grant worth up to 5.000€ that enables SME from all industries to use creative services within the framework of an innovation project. The aim is to foster innovation in SME by the integration of creative services and thereby to stimulate cross-industrial collaboration and spill-over effects.

The direct beneficiary are the SME that can, through the voucher, buy the service of a creative. The SME has to be based in AT, the creative can be from any country! The voucher can be used for one year starting on the day of application.

In 2013 the scheme started with a first-come-first-serve principle. Since 2014 it has been possible to apply one month of the year. After the deadline all received applications are given a randomized order

¹ <https://www.interregeurope.eu/policylearning/good-practices/item/2053/creative-industries-strategy-for-austria/>



(by an external notary). Then the first 300/600 projects that meet the basic criteria will receive the voucher. The application process has been changed in order to avoid an immense amount of applic.in the first days of the open call.

Resources needed

aws received between 1,5-3 Mio.€ plus 10% for admin.costs by the ministry of economy p.a. There is one person dedicated full time for this action. Additionally this person is supported by experts on CI, the IT-, the media-, as well as by the customer service-team during the application phase.

Evidence of success

Already within the testing phase through the EU-project ECIA there was a huge demand for the vouchers.

KWS is with on average 2.000 applic.of which 300/600 applicants receive the voucher p.a. the most demanded program at aws and a huge success.

The expected long-term outcomes are a rise in cooperation betw.SME and creatives, also after the voucher, because the SME would understand the benefit from working together with creatives. So far 2.100 vouchers have been distributed (as of April2018)

Difficulties encountered

It is quite an administrative effort to handle the huge interest in the vouchers (<2.000 applic. p.a.). This makes a jury-process impossible. aws changed the selection mode from a first-come-first-serve principle to a predefined submission period with a subsequent random selection through a notary.

Potential for learning or transfer

This voucher scheme can be interesting for other regions as it is easily transferrable. It can also support regions in the internationalization of their SMEs, as only the SME has to be based in Austria whereas the creative service provider can be from any other country.

KWS has proven that it has stimulated and supported collaboration between creatives and SMEs from other sectors. It exhibits rather high additionality effects and has, correspondingly, low deadweight losses, which is remarkable, given the low-threshold character and approach of the scheme. The already realised and/or anticipated follow-up contracts between the KWS-collaboration partners show that the KWS scheme may be indeed able to trigger behavioral changes with non-CI firms, in that a sizable share of non-CI firms continue their collaboration with the CI companies after the KWS-supported project. An effect, which most likely also other regions would be interested in initiating.

Creat(iv)e Solutions Programme



In 2018 has tried to find other financial solutions to get a program financed, that enhances the transformative power of CI and has applied for the funding of a new program named "Creat(iv)e Solutions" at the National Foundation Austria for Research, Technology and Innovation (NFTE) with a very similar thematic scope. aws received the positive feedback for that application in 2018.

General Description

aws Creati(v)e Solutions is a pilot program for lighthouse projects, which addresses and makes visible the increased use and integration of creative industry know-how along the entire value chain and across sector boundaries (=transformative effects or cross-over effects of the creative industry into other sectors).

The addressed projects act as catalysts that initiate or enable transformation mechanisms in other sectors of the economy. The creative industries make a special contribution here, as their know-how and working methods represent a significant enrichment for previous innovation processes. This can lead to newly conceived approaches to solutions as well as to quicker innovation cycles along the entire value-added chain and thus bring corresponding competitive advantages.

The projects to be funded are characterised by the fact that new innovation impulses can be achieved by integrating creative industry topics, methods and services into the value chain as early as possible – impulses, which are essential for other sectors but also for the creative industries themselves. Thematically, this can concern, among other things, manufacturing companies, tourism, science, education, digitalization, service innovation, social innovation, social challenges, climate change, energy and resource issues, mobility, urbanisation, alternative financing models or similar.

Specifically, the funding is aimed at small and medium-sized enterprises in all sectors that develop innovative, new solutions to challenges together with a company from the creative industries.

The challenges addressed should be of broad relevance, so that the solutions developed can then also benefit other companies. Ultimately, the program aims to demonstrate that creative companies help to find new, innovative solutions → "Creat(iv)e Solutions".

The requirements

In the context of the application, the following requirement profile was submitted to aws Creat(iv)e Solutions:

- The program supports innovation systems in which the creative industries make a significant contribution to initiating, improving and/or further developing innovative products, processes or services. The focus is thus on the promotion of interdisciplinary innovation systems and enabling structures, whereby new approaches and working methods are applied in innovation processes. The creative industries provide precisely this interdisciplinary approach and offer added value in the innovation process of other industries through newly developed approaches and working methods. (see Creative Industries Strategy for Austria, Measure 20 - Continue and expand innovation promotion in the creative industries, page 59)2.

- The aim of aws Creat(iv)e Solutions is to create a deliberate incentive on the part of the public sector for cross-sector cooperation (creative industries, all sectors) in order to transform traditional (old, traditional) approaches into innovative, forward-looking "approaches" (processes, models, networks,

² https://www.kreativwirtschaft.at/wp-content/uploads/2016/06/Kreativwirtschaftsstrategie_für_Österreich.pdf



structures, systems etc.). State-of-the-art methods and functionalities of Open Innovation shall/can be applied.

- Due to the special significance of the creative industries in this pilot program, new impulses can be given in Austria and interdisciplinary working methods and approaches to solutions can be expanded. A central economic question is how innovations arise - in most cases they are incremental innovations. Increasing digitalization and other global trends make it necessary to innovate faster and in large steps. Besides technical innovation, the greatest potential is seen here in adapting to trends, changing the product, the market, communication with the market, but also in changing the business model. The creative industries are very close to the product, design, communication, other business models and trends, which provides ideal starting points for crossover effects or transformative aspects of innovation.

This approach could be a unique selling proposition for Austria as a business location. Funding programs supporting this approach would be of great importance, especially for SMEs, and could contribute significantly to strengthening Austria as a location for innovation.

The framework conditions

The implementation of the pilot program was conceived as a call for two consecutive years.

The pilot program will support these projects with a maximum grant amount of EUR 200.000.- and a maximum project duration of one year. Personnel costs, material costs, third-party costs and other costs (e.g. material, travel costs) can be considered eligible for funding.

The inclusion/consideration of the creative industries as essential actors in the innovation process is at the heart of the funded projects. Innovation systems in the context of this pilot program refer to dynamic structures, processes, methods, etc. - the aim of which is to create an innovative capability. In other words, to create "possibility spaces" in which - topic-specific or regional - innovations can be thought of, initiated or supported.

In order to illustrate the diversity (topic-specific or regional) of the possible innovation systems across all sectors, measures to increase the impact are planned within Austria with the main actors.

The pilot program deliberately follows a broad approach in order not to prevent (new) innovation systems and enabling structures in advance. An accompanying evaluation will assess and evaluate this approach.

The projects funded under the concept act as catalysts that set in motion, enable and/or support the transformation mechanisms in other areas of the economy as well. Interdisciplinarity through openness to topics, exchange across sectors and subject areas is central to this project. Out-of-the-box thinking should be made possible.

TIMEFRAME

The time frame is based on the detailed conception, implementation as well as the application and execution of two call rounds.

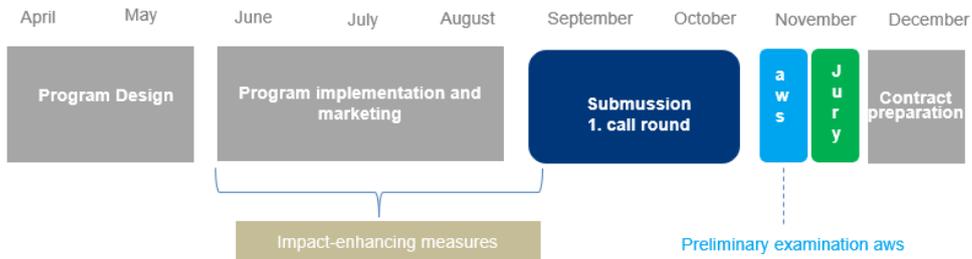
Call 2019

The first call round already took place in autumn 2019. The call was open for submission from 2nd September, 2019 to 28th October, 2019. There were 84 submissions from a wide range of industries and fields of activity. In an intensive process an internal jury selected 12 finalists who were invited to pitch before an external jury of experts. Of the final 12 projects, 7 received a positive commitment and thus a funding contract.



aws Creative Solutions 2019
Timetable

01.04.2019 – 31.12.2019



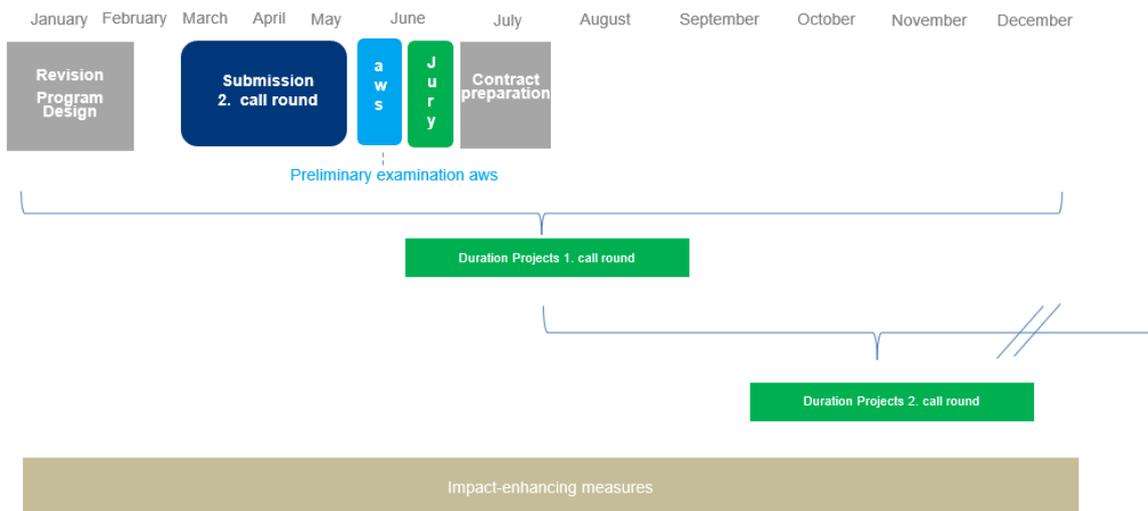
Call 2020

The second call round will take place in the first half of 2020. The call will be open for submission from 2nd March, 2020 to 8th May, 2020. After that, the same selection process as in the previous year will take place. Certainly, the experiences from the first call round are taken into account.

Parallel to this second submission and selection process, the contract management phase of the first call will take place, as well as a review of conditions and milestones, payments and the funding for the projects. At least one accompanying event and an evaluation are also planned for the period 2020.

aws Creative Solutions 2020
Timetable

01.01.2020 – 31.12.2020



This project is co-financed by the European Regional Development Fund through the Interreg Alpine Space programme



Resources needed

aws has a budget of EUR 3,2 million, of which EUR 2,6 million are reserved for grants. This money will be used to finance two call rounds. The budget for this money comes from the National Foundation Austria for Research, Technology and Innovation (NFTE)³.

This pilot is paid by the National Foundation for Research, Technology and Innovation (NFTE). The task of the foundation is to promote research, technology and development in Austria, especially interdisciplinary research measures that can be used over the long term. The Foundation's grants are to be distributed to federal funding agencies in accordance with the resolutions of the Board of Trustees.

Expected impacts

Past experiences have shown that if SME from the wider economy were willing to cooperate with a creative service provider, this happened mainly at the end of an innovation process, when the product development was already almost finished. At this stage creative service providers have only limited possibilities to improve the product. The Creat(iv)e Solutions Program shall raise the awareness of cooperating with creative service providers already from the beginning of an innovation process, also in big scale projects.

Through the Creat(iv)e Solutions Program it is expected to have 10 to 15 flagship projects that clearly show the benefit of cooperating with a creative service provider also on a bigger scale already from the beginning of an innovation process. Those flagship projects shall then be used to promote the immense transformative power of creative industries for the wider economy and shall enhance the intersectoral cooperation in the future.

³ <http://www.stiftung-fte.at/> The financial endowment of the National Foundation Austria for Research, Technology and Innovation is composed by contributions of the National Bank of Austria, the National ERP-Funds and the Austria-Funds.



Conclusion

This input paper on “Access to Finance” gave an overview on examples and good practices from the Alpine Space regions South Tyrol and Austria in order to support SMEs to get a better access on finance. Both regions have put a focus on stimulating intersectoral collaboration in order to boost the overall economy and could show some of the positive effects, those programmes have already had in the past.

Armando Melone gave a very current input on how the European Commission is committed to solving the issue of access to finance for SMEs, especially now with the COVID-19 crisis hitting European SMEs hard. He lists all the different EU-programmes where there will be financial instruments available for European SMEs.

It is crucial, especially under the current circumstances of the COVID-19 crisis, to support SMEs in the Alpine Space area through access to finance in various ways, in order for them to survive and maintain the competitiveness of the Alpine Space economy.

