Welcome

SMART EUROPE

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Editorial

After more than 2.5 years of fruitful cooperation in SMART EUROPE we are now preparing for the end of the project. We are planning the final conference in Flevoland and organising national dissemination events in every region. When closing a project there is always a moment of looking back and of looking ahead, and when I look ahead, I am sure that SMART EUROPE will have a legacy. The project has resulted in policy improvements that will continue to have an impact on the years to come. And some partners of SMART EUROPE have already engaged in new kinds of cooperation, for example in the framework of Erasmus+ and other schemes.

This newsletter emphasizes the importance of young SMEs for economic growth, a topic that most SMART EUROPE partners have embraced as a way to boost innovation based jobs. Furthermore, you can read about financial engineering as a good practice from Veneto and about the final activities of SMART EUROPE.

Last but not least, I would like to invite you to our final event; you are most welcome to join our conference “Growing connections – nature meets economy” in Almere, Flevoland on the 4th of November! You will find more information on the event in the Spotlight section of this newsletter.

Best regards,

Jan-Nico Appelman
Deputy King’s Commissioner province of Flevoland
Chair of the SMART EUROPE Monitoring Board

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Partnership

Province of Flevoland
Lead Partner
www.flevoland.nl

Assembly of European Regions
www.aer.eu

Manchester Metropolitan University
www.mmucfe.co.uk

Veneto Region
www.regione.veneto.it

Veneto Innovazione
www.venetoinnovazione.it

Province of Bologna
www.provincia.bologna.it

Észak Alföld Regional Development Agency
www.eszakalfold.hu

Maramures County Council
www.cjmaramures.ro

Almi Foretagspartner Mitt AB
www.almi.se/mitt

Patras Science Park S.A.
www.psp.org.gr

The Baltic Institute of Finland
www.baltic.org

Avila County Council
www.diputacionavila.es

Sor – Trondelag County Authority
www.stfk.no
Thematic focus
The potential of young SMEs for economic growth

A new OECD study based on firm-level data demonstrates that, among SMEs, young firms play a central role in creating jobs and enhancing growth and innovation.

Data across 18 OECD countries and over 10 years show that SMEs employ on average 65% percent of the workforce and account for 75% of total gross job creation and 75% of jobs lost over the period.

Figures also show that young SMEs are the primary source of job creation over the past 10 years and across the 18 countries analysed. Though having only small weight in the economy (they represent 17% of employment) they contribute more than twice as much to job creation (42% of the total) and only to 22% of job losses. This qualifies young SMEs as net job creators. On the contrary, older SMEs are generally regarded as causing job loss. Therefore, policies supporting job creation by SMEs should distinguish more clearly the respective roles of firm age and firm size to better target the interventions.

As we can imagine, the disproportionate contribution of young firms to job creation is related to greater experimentation with new technologies, ideas and business models.

Another characteristic of young firms is that they respond more strongly to upturns and downturns in the economy. In particular, the recent crisis affected the employment growth rate of young firms more severely than older firms. However, despite the drop in their growth rate, young firms remained net job creators even during the crisis. This is because most of the job losses during the crisis regarded cutbacks in mature business.

In conclusion, earmarking resources to young and innovative firms is essential to ensure economic growth. There remain large differences across countries, at the extent to which innovative firms attract the resources they need to implement new ideas and to bring innovation to the market. The report highlights that young firms benefit from a conducive business environment that enables resources to flow to them, so that they can develop new products and test them in the market.

Regulations can also play a major role. According to the OECD, strict product market regulations can limit the entry of firms and reduce their ability to grow over time, while a stringent employment protection legislation may limit the ability of firms to adjust to changing market conditions, which is particularly important for young firms testing new ideas. A balance in the regulation of bankruptcy is also relevant: lenient bankruptcy regime underpins dynamism in the economy, enabling firms to experiment with risk technologies; however, if safeguards are considered insufficient by the banks, it can also reduce credit supply.

To find out more about the results of the OECD analysis, download the full report Young SMEs, growth and job creation, OECD, 2014.
How can the creation of innovative companies be supported at policy level?

The World Economic Forum has recently published the report “Enhancing Europe’s Competitiveness, Fostering Innovation Driven Entrepreneurship in Europe”, which focuses exactly on how innovative new ventures in Europe can be fostered. The report identifies the three cycles of entrepreneurship:

- **Stand up**: when individuals begin to believe that they have the ability to start an innovative company and desire to become entrepreneurs;
- **Start up**: when individuals decide to set-up an innovative organization and become entrepreneurs;
- **Scale up**: when entrepreneurs expand their business.

Fostering innovation-driven entrepreneurship in Europe requires a comprehensive view of the entire entrepreneurial life cycle, comprising the stand up, start up and scale up phases.

It is estimated that only 50% of European start-ups survive the first five years. Furthermore, while the number of micro companies in the European Union increased by 370,000 (2%) between 2008 and 2013, the number of small, medium and large companies registered no net growth. This demonstrates that SMEs face difficulties in scaling up and, therefore, in contributing to growth and employment across Europe.

The data collected through a survey confirms that the scale up phase is seen as the most challenging by European entrepreneurs. Across Europe, conditions are perceived most positively for the stand up phase, slightly less favourable for the start up phase, while the scale up phase is seen as significantly more difficult. Respondents based in North America have a much more positive attitude towards the conditions in their environment, especially for the scale up phase.

According to the report, stakeholders and policy makers have significant scope to positively influence the factors affecting each phase.

In particular, the key influencing factors identified in the report are:

- **Attitude towards entrepreneurship and risk**, this is important because the fear of failure can be a “roadblock to entrepreneurship”; attitude also depends on personal determination and ambition.
- **Skills**, such as business intelligence, management skills, social skills, creativity, idea/concept building; here, the report highlights the importance of entrepreneurship education.
- **Cultural and social framework**, namely family, friends, peer entrepreneurs and role models who determine how much support entrepreneurs get along the way. The report highlights that early exposure to entrepreneurship, entrepreneurial thinking and peer-level success stories is key to transmitting an entrepreneur-friendly culture.
- **Regulatory framework**, which refers to the administrative processes and rules required to start and operate a company, including licensing, tax and labour market regulations.
- **Market framework**, which refers to the availability of necessary inputs, transformation processes and
customer demand necessary to found and develop a venture.

• **Network access**, which means having supporting partners, advisers, enablers.

Policy-makers, business leaders and civil society actors can support entrepreneurs by influencing both individual and contextual factors that shape success in each phase. In particular, the report highlights that increasing the transparency of support systems and creating connections and partnerships should be among the key goals for policy makers and other actors interested in improving the entrepreneurial environment.

The World Economic Forum concludes by affirming that supporting innovation in isolated sectors is not enough: Europe needs to create ecosystems underpinning innovations emerging in unconventional ways across government and business. To that end, the World Economic Forum will take this research further, focusing on Open Innovation Ecosystems.

Download the [full report](#).

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**Erasmus for Young Entrepreneurs**

Are you a wannabe entrepreneur? Then this European exchange programme is for you!

Erasmus for Young Entrepreneurs is a cross-border exchange programme which gives new or aspiring entrepreneurs the chance to learn from experienced entrepreneurs in other participating countries. The young entrepreneur moves for a few months to another country and works with a “senior” entrepreneur in a particular field of interest to acquire the skills needed to run a company. The host entrepreneur also benefits from fresh perspectives on his business and gets the opportunities to cooperate with foreign partners and to learn about new markets.

“Erasmus for Young Entrepreneurs” is financed by the European Commission within the [COSME Programme](#) and operates across the participating countries with the help of the [local contact points](#), which are organisations competent in business support (e.g. Chambers of Commerce, start-up centres, incubators etc.). The young entrepreneurs who are interested in taking part have to contact the closest contact point to explore the opportunities offered within this programme.

Discover more about Erasmus for Young Entrepreneurs and about former participants on the [official website](#).
Good practices from...Veneto

Financial Engineering

The good practice “Financial Engineering” consists of a synergic set of tools designed to foster investments in innovation in Veneto. It includes a system of guarantees for innovative investments, a revolving fund for SMEs’ innovative investments and a venture capital and private equity fund.

What is the background of the good practice?

Despite the dynamism of entrepreneurship in Veneto, private funds supporting companies’ start up and growth are still scarce. Furthermore, in the recent years, the credit crunch has especially affected SMEs and start-ups, which are not always able to provide the required guarantees, given their value is based mostly on intangible assets.

On the other hand, public funds for innovation and research are usually connected to periodic calls, which are not always in line with the companies’ timescale and needs. To overcome these barriers, a well balanced mix of financial engineering tools, focused on research and innovation, has been set up.

Financial Engineering was included in the 2007-13 ERDF Regional Operational Programme. This is a result of the Regional Law nr.19 of 13th August 2014, containing all the three operational instruments, and namely:

1. An instrument for the temporary and minority participation to the risk capital of SMEs whose main seat is in Veneto;
2. A revolving fund to provide easy-terms loans and to favor the capitalization of SMEs;
3. Earmarked funds to grant guarantees to companies, in accordance with the existing European legislation on state aid.

Could you explain the initiative in detail?

This initiative aims to strengthen SMEs with their main seat in Veneto.

In particular:

- The guarantee system enables SMEs to have easier access to credit and, simultaneously, to start a unification process of the Confidi (Italian consortia providing companies with guarantees) to make them financial mediators controlled by the Bank of Italy;
- The minority participations to risk capital aim to inject “fresh” capital in SMEs with innovative projects through the minority participation (max. 45%) defined by a temporary contract establishing also the possibility to exit from the partnership after a certain time.
- The revolving fund originates from the need to cut the cost of the interests that SMEs have to pay for
investments made through the leasing or mortgage favouring the containment of the financial burden on companies.

**What results has this good practice obtained? Is quantitative data in the capacity of this good practice to create jobs and/or increase innovation available?**

Unfortunately there are no figures demonstrating the impact of the measure on employment. The performance of companies was affected by the unfavourable economic conditions and linking the investment to specific results in terms of job creation would have created difficulties and limited the operation.

It is different with patents that can be part of an investment made for instance by a company benefiting from the easy-terms loans of the revolving fund within a list of eligible costs, as it was decided that interventions must have a minimum size of 100,000,000.

**What are, from your point of view, the negative factors and barriers to implement this good practice?**

The instruments of Financial Engineering are conditioned by the credit market and the economic situation. As a consequence, it is not possible to avoid an evaluation of the applicant in terms of creditworthiness and, only when the response is positive, it is possible to cut the rate using the revolving fund, to acquire a minority participation in the risk capital or to grant a guarantee. The latter is probably the most important case. Actually, the funds should be used to promote efficiency in the market, enabling companies to obtain credit.

Although some recipients would not be able to obtain credit without the aforementioned support, there are only a few more who would obtain credit even in real market conditions.

**What is the lesson learned by the Region on how to create effective financial tools to support innovation?**

Veneto Region already had experience on the creation of Financial Engineering tools. New instruments are being explored, along with possible ways to improve the existing ones. In particular, the aim is to increase the adaptability of the existing tools to the needs of the territory through targeted measures aimed at gathering the real needs of the stakeholders, clearly always in compliance with European and national legislation.

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**Michele Pelloso**

Mr. Michele Pelloso is the Regional Director of the Industry and Craft Section of the Veneto Region. He is an expert in Economic Policy and has great experience both in consultancy on financial and economic issues and in management of public institutions. He was previously also Director of Administrative Tasks in the Local Public Utility for Residential Housing of the Province of Belluno and Director of the Economic Issues Operating Office of the HR Department of Veneto Region.
Peer Reviews fourth round

Patras

Supporting innovative companies and entrepreneurship in Patras

The peer review week in Patras (30th September - 4th October 2013) focused mainly on how to improve the design and implementation of regional policies favouring Research, Technology Development and Innovation (RTDI) entrepreneurial activities and on how to increase cooperation between the public and private sector in the fields of research and innovation. The main objective of the peer review was to identify the most effective instruments to support the creation of innovative companies and to boost entrepreneurship in Western Greece.

Seven peer reviewers arrived in Patras from The Baltic Institute of Finland, the Province of Bologna and the Province of Flevoland, with the support of the Assembly of European Regions. The reviewers visited many organisations in the public, academic and private sectors and had meetings with several stakeholders. In particular, they visited the Region of Western Greece, the Decentralized Administration of Western Greece and the Peloponnese and Ionian islands as public administrations. With regard to academic bodies and research centres, they visited the University of Patras, the Foundation for Research and Technology, Patras Science Park and the Computer Technology Institute and Press. Finally, they held meetings and interviews with representatives of companies and associations such as CBL, Althom, tentoura “kastro”, the Achaia Chamber of commerce, the Technology Enterprises Association of Western Greece, Nanoradio – Samsung and Bytemobile – Citrix.

At the end of the week, the results of these visits and meetings were integrated in a SWOT analysis of the region. Before leaving, the reviewers formulated some recommendations for the Region. In particular, they suggested to improve the innovation strategy by developing a unique Patras model of incubators and science parks and by improving the infrastructure. They also recommended increasing the cooperation between the University and companies, to involve more citizens and stakeholders in the drafting of an overall master plan for innovation and to explore the possibility of revolving funds for the support of entrepreneurs. However, the most significant message that the reviewers left to Patras was to start looking at the crisis as an opportunity for the emergence of new, unexpected ideas.
National dissemination events and final conference

A series of national dissemination events are taking place in the countries involved in SMART EUROPE. Furthermore, a big final conference will be organised in Almere (Netherlands) on the 4th November. The aim of these events is to spread the results of the project and create a debate around the issues of innovation and innovation-based jobs.

Here is an overview on some of the national dissemination events:

**Manchester**

The first national dissemination event was organised in Manchester on the 20th March, 2014. It was a one-day-long conference hosted by Manchester Metropolitan University. In the morning, the first achievements of SMART EUROPE, along with the new EU funding opportunities were presented, while in the afternoon participants were involved in an Action Learning workshop to test this innovative methodology of problem solving.

**Maramures**

Maramures County, the project partner in Romania, held its national dissemination event on the 7th May, in Targoviste. The opportunity to promote SMART EUROPE occurred within the seminar “Occupational policies to attract highly qualified professionals and to improve job creation opportunities” organised by the partners of the EU project Working4Talent (W4T) and hosted by The Valahia University. The event represented a perfect opportunity to exchange good practices and information about strategic on-going projects under the framework of international partnerships.

**Veneto and Bologna**

The three Italian partners (Veneto Region, Veneto Innovazione and Province of Bologna) organised a common conference on the 30th of September in Vicenza in the framework of the “Open Week of Female and Youth Entrepreneurship”. The conference focused on how incubators and Business Angels can help the wannabe-entrepreneurs to set up a business. Some successful young start-uppers were invited to bring their experience. Furthermore, participants were given the possibility, right after the conference, to meet all the speakers and ask them for advice.

**Tampere**

The Baltic Institute of Finland presented the results of SMART EUROPE on two occasions: on the 16th September, in a seminar within the “Innovation Brunch”, an event organised by the Council of Tampere Region to illustrate the current innovation activities in the region, and on the 15th October within the Tulevaisuusfoorumi (Future Forum) 2014, organised in cooperation with the Council of Tampere Region and the Tampere Chamber of Commerce to discuss...
regional competitiveness and how to increase it in the future.

**Avila**

The Avila City Council will present SMART EUROPE at a very important occasion: the international inland tourism fair, which will take place between the 27th and 30th of November in Valladolid (Spain). This will clearly be a great opportunity to disseminate the project results, as Avila focused on innovation in tourism to better promote its territory as a holiday destination. The project partners will distribute the project’s brochures and present the project outcomes during workshops and conferences. More information on the conference can be found on the [website](#).

**Észak-Alföld**

The Észak-Alföld Regional Development Agency is organising a workshop on the 21st and 22nd October to explore the possibilities of transferring the Finnish good practice DEMOLA to Észak-Alföld region. The Finnish expert Ville Kairamo, “owner” of the DEMOLA concept, will lead this event, which will gather many regional stakeholders (innovation agency, university, entrepreneurs, development agencies). Furthermore, a national dissemination event illustrating the transfer of the DEMOLA good practice and the Implementation Plan will take place in December.

**Mid Sweden**

In Mid Sweden, our partner Almi will present the results of SMART EUROPE in Sollefteå on the 25th November, during a conference with the Managing Directors of regional municipalities. This conference is a yearly event where all municipalities meet for sharing information; therefore it represents the ideal framework for disseminating the findings of our project among regional stakeholders.

**Assembly of European Regions (AER)**

During the month of November, the Assembly of European Regions will promote and build on the results of the SMART EUROPE consortia on two separate occasions, thus disseminating the findings of the project to a wide range of stakeholders from across Wider Europe. The first of these events, in the Province of Gelderland on the 6th November, will be a meeting of the AER’s Committee for Economy and Regional Development, encompassing elected representatives from over 50 members regions. Secondly, on the 20th November in Brussels, the SMART EUROPE good practices will be highlighted at an event at the European Parliament, focused on increasing the cooperation between the public and private sector, in order to boost employment, SME creation and regional growth. More information on these events is available on the [AER website](#).

**Flevoland: the final conference**

As anticipated in the editorial, the SMART EUROPE final conference will be hosted by the Lead Partner - Province of Flevoland and will take place in Almere on the 4th November, 2014. The EU project GreenInfraNet (INTERREG IVC) will be presented on the same day. In the morning, the results of both projects will be illustrated to the public, whereas in the afternoon there will be two workshops for each project. A “good practice market” and a networking cocktail will close the event. The final conference will indeed represent an important moment to share methodologies and findings between the two consortia.

You can find the draft programme on this [website](#) and you can register online following this [link](#).
SMART EUROPE is important not only for the results achieved, but also for the methodology developed.

During the years of project implementation, various tools have been tested and then amended according to the feedbacks received from the project partners and stakeholders who put them into practice.

Now, we want to make the results of this process available for other regions through the project’s TOOLKIT. The TOOLKIT contains all the necessary information for stakeholders outside the SMART EUROPE partnership who want to apply the same methodology in new projects, thus multiplying the results of SMART EUROPE.

Download the TOOLKIT on the SMART EUROPE website by following this link.
Final conference
Almere, November 4, 2014

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Lead Partner
Province of Flevoland
Lelystad-The Netherlands
Bob Pels
bob.pels@flevoland.nl
Karin Maatje
karin.maatje@flevoland.nl

Communication Responsible
Veneto Innovazione SPA
Venice-Italy
Maria Sole D’Orazio
mariasole.dorazio@venetoinnovazione.it
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