



Peer Review REPORT

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| Host Partner | Municipality of Florence |
| Date of Peer Review | 18-19.01.2017 |
| Format of the meeting | Informal meeting + Round table |
| PREPARATION | |
| <p>What was your experience in arranging the Peer review? How was the reaction of the stakeholders? Did you receive any useful inputs from the Peer Review Team/experts during that preparation period?</p> | |
| <p>To organize Peer Review we set some questions to which we intend to answer in order to select the experts. After receiving their CVs, we could better focus on the improvement and help that their participation could offer. So, we received some ideas on how to better address the discussion and target the Local experts.</p> <p>We decided to divide the peer review into 3 phases:</p> <ol style="list-style-type: none"> 1. an informal meeting with start-ups, spin-offs, SMEs which could present their experience of access to credit or other fundings, to share successes, failures and suggestions. 2. The Peer Review organized bringing together experts and representatives from different sectors and agencies to discuss the barriers and challenges that face the regional SMEs financial and credit system. The objective was to hear from their perspective the issues and opportunities for improvement to public administration processes and enhanced offer to business. 3. After the peer review, we organized a Local Stakeholder meeting, in order to inform them about the Peer Review results, to present the stakeholders' group to the external experts. The event was organized as conference. We invited many speakers to present a wide overview of funding opportunity for SMEs (from regional funds to crowdfunding, from EEN services to Erasmus for Young Entrepreneurs). | |
| IMPLEMENTATION OF THE PEER REVIEW | |
| (a) Description of Peer Review focus: key issues that the host partner wanted to address | |
| <p>During the Peer Review in Florence we wanted to focus especially on the access to credit and public funds for SMEs. In particular, we were interested in the role of the reduction of bureaucratic burdens on SMEs played in this context by public and private intermediaries.</p> <p>The main key issues were:</p> <ol style="list-style-type: none"> 1. How much is the access to credit and to public funds negatively affected by bureaucratic burdens? 2. In this respect, what are the major difficulties encountered by SMEs? 3. Comparing different experiences, what bureaucratic/administrative burdens emerge to be necessary and what are not? 4. Which simplification strategies were adopted? Which one proved to be the most effective? Which policies have performed best in funding SMEs and reducing administrative burdens? 5. What kind of relationship between intermediaries and Public Administration should be established? <p>After having selected the experts, according to their personal experience, we focused on 3 main aspects:</p> <ul style="list-style-type: none"> • The role of P.A. in the management of funding and relationships with banks operating in the | |

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public and private sectors - municipal calls for funding to SMEs

- Early stage financing in business development of innovative technologies for SMEs
- The role of the bank in the management of ERDF co-financed loan funds for SMEs

(b) Please list here in bullet points the activities undertook during your Peer Review

We decided to organize the work in two panel discussions.

The first one, moderated by Mr. Librici, was focused on the role of P.A. in the management of funding and relationships with banks operating in the public and private sectors - municipal financing calls for SMEs.

We present below the swot analysis of the main topic discussed:

| STRENGTHS | WEAKNESSES |
|--|--|
| <ul style="list-style-type: none"> - real estate assets of P.A. to be used to support startups - recent expansion of public incubators and private co-working spaces | <ul style="list-style-type: none"> - difficulties for SMEs to structure projects - difficulties for SMEs to participate in funding calls - deficiencies in the public structure |
| OPPORTUNITIES | THREATS |
| <ul style="list-style-type: none"> - tax exemption for new businesses - renewed attention to the dialogue between banks, P.A. and start up networks | <ul style="list-style-type: none"> - adverse economic changes - deepening of the banking crisis |

The main problems experienced concern difficulties for SMEs to structure projects and to participate in funding calls because of the rigidity of the calls, the lack of communication towards SMEs and the deficiencies in the public structure and in internal competences of P.A..

Possible solutions include stimulating companies to aggregate; improving methods of selection of promising ideas and projects; organize and coordinate teams of professionals and consultants to support the development of projects.

The second one, moderated by Mr. Husek and Mr. Buhmann, was focused on the themes of early stage financing in business development of innovative technologies for SMEs and the role of the bank in the management of co-financed loan funds for SMEs.

Mr. Husek introduced the subject talking about Technology readiness levels (TRL), a method of estimating technology maturity of Critical Technology Elements (CTE) of a program during the acquisition process. TRL is based on a scale from 1 to 9 with 9 being the most mature technology. The use of TRLs enables consistent, uniform discussions of technical maturity across different types of technology. High Tec Start up usually approach from Level 3 (Analytical and experimental critical function and/or characteristic proof of concept) to reach Level 7 (System prototype demonstration in an operational environment).

He points out that, at present, to finance the research process divided into three phases, you must apply three times with a huge waste of time.

The first point of attention should be flexibility; EU funding system is structured in a too strictly way. We need more flexibility in financial resources utilization - low barriers for changes in projects costs structure.

Second: Fast money! From application to decision of money trasfert currently it lags too long.

Below, some examples ranked by fund type:

| TYPE OF FUNDING | TIMING |
|-----------------|------------|
| VOUCHERS | 2/3 MONTHS |
| EQUITY | 3/6 MONTHS |



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|---------------|-----------------|
| PUBLIC GRANTS | UP TO 12 MONTHS |
| LOANS | 0,5/2MONTHS |

The time between project application and first payment/prepayment should be lowered to 1- 3, month for small programs, 6 -9 month for complex projects.

Third: Simple Administration to speed up the entire financial process.

It is now up to Mr. Buhmann to introduce the point of view of a regional development bank, especially the Development Bank of Saxony-Anhalt.

The Development Bank of Saxony-Anhalt can support the projects of business start-ups and SMEs because it doesn't need merchantable collaterals. But if collaterals are present the costs of the loan (interests) can be lower. Financial tools that work fine are the ones based on revolving loan funds cofinanced by structural funds, stock of funds can be used more times.

It is common ground that start-ups can not provide most of the things that are usually required for companies to assess their creditworthiness. So development banks in Germany try to facilitate the access to credit but it must be secured that all SMEs - also in the case of insolvency or termination of the contract - have to give the money back. In this regard, there is no difference between development banks and commercial banks. Therefore, collaterals will also be realized.

In Germany development banks are also consultants for funding programs, e.g. in Saxony-Anhalt the Development Bank acts as an "one stop shop" for public funding programmes.

Begins, at this point, a debate which can be summarized as follows:

Banking system is changing very fast in Europe. From here to ten years there will be no more than 5 major banks in Europe. There will be or very small banks or very big one. The banking system, following the subsequent provisions of the various Basilea agreements, has lost the capacity and the ability to provide micro loans to very small businesses, but in Italy very small companies are the heart of the economic system.

National Technology Clusters could be a first step towards giving the management of public funds to private companies.

Business Angel model is very aggressive. In Italy they are not very successful, most of the time the invest only few money.

(c) Partnership: please list here the experts

| Name | Organisation |
|------------------|-----------------------------------|
| Giovanni Librici | Municipality of Genova |
| Zdenek Husek | Ústecky region |
| Carsten Buhmann | Development Bank of Saxony-Anhalt |

(d) Partnership: please list here the participants from your region (including stakeholders)

| Name | Organisation |
|------------------|--|
| Lucia De Siervo | Municipality of Florence – project partner |
| Marta Fallani | Municipality of Florence – project partner |
| Carlotta Viviani | Municipality of Florence – project partner |



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| Loretta Laghi | Municipality of Florence – project partner |
| Veronica Nenci | Municipality of Florence – project partner |
| Martina Marianini | Municipality of Florence – project partner |
| Simone Centrone | Municipality of Florence – project partner |
| Federica Favalaro | Municipality of Florence – project partner |
| Serena Barilaro | Municipality of Florence – project partner |
| Guya Berti | SSATI |
| Stefano Bozolo | Opera voice startup |
| Orsola Papasogli Tacca | BLB STUDIO LEGALE |
| Pietro Messina | BLB STUDIO LEGALE |
| Marco Cappellini | Centrica PMI |
| Lorenzo Giappichelli | Movitech Italia - Movimento Elettrico PMI |
| Erik Longo | University of Florence |
| Giuseppe Mobilio | University of Florence |
| Edoardo Caterina | University of Florence |
| Ippolito Piazza | University of Florence |
| Alessandro Monti | Fondazione per la ricerca e l'innovazione |
| Micaela Surchi | Fondazione per la ricerca e l'innovazione |
| Gianni Bruschini | S.I.C.I. |
| Letizia Donati | Eurosportello Confesercenti |
| Laura Cirinei | Albo Gestori Ambientali - Sez. Toscana c/o C.C.I.A.A. Firenze |
| Giacomo Vivoli | |
| Francesca Serra | Vivaio per l'intraprendenza |
| Francesca Di Giuseppe | PerMicro |
| Enrica Spotti | External observer from Municipality of Genova – Lead Partner |
| (e) Recommendations: please list and explain the conclusions and main points of advice you received from the experts | |
| <p>In the end the working team tried to define some possible solutions related to the below topics.</p> <ol style="list-style-type: none"> 1. Flexibility 2. Fast money 3. Simple administration 4. Failure scenario <p>a) Ideal declination of financial tools</p> <ul style="list-style-type: none"> - Equity, convertible loans - Commercial Loans, public soft loans - Small vouchers for services (creative, RaD, consulting) | |

- Grants schemes (complex projects financing, like Horizon 2020)
- Collaterals/guarantees for commercial banks (case European Investment Fund program)
- Cost of third parts/ mentoring/consulting/labs and office costs (direct payment for service providers)
- Crowdsourcing

b) Company main needs

- Flexibility in financial resources utilization - low barriers for changes in projects costs structure- investment, salaries, external services, overheads flat rate, (case is SME Instrument in Horizon 2020)
- “Fast money”, so time between project application and first payment/prepayment (1- 3, month for small programs, 6 -9 month for complex projects)
- Simple administration
- Fail risks for entrepreneur/company, ratio between grants, loans, guarantees and equity.

c) Investor needs/Public, private

- Value per money – indicators, profit for private subjects, KPI (jobs, added value etc) for public donors
- Risk reduction/sharing – number of company fails, schemes for sharing risks
- Costs for fund/program administration
- Positive PR, especially for public funds

d) Application process

- ICT tools – all documents in electronic version, automatic processing of data from public registers (company incorporation, financial data), e communication with intermediators (donors)
- Same application for different financial tools (case KB Ponte, Czech subsidiary of Societe Generale Bank used same documents for ERFD funding and own bank loans)
- Number of documents required - for example in proof of concept is necessary only general view for market volume, ability to define market which is sufficient for required investment. There is not necessary to create complex business plan
- “Fiction studies”, targeting key customer’s indicators /pivots/, lean methodology in application (see point g)
- Replacement “applications” with “investor pitch”
- Pre - mentoring/scouting (support in application stage)

e) Evaluation process

- Multistage evaluation process, preselection, selection funnels / case Horizon 2020.
- Motivation of applicants, success ratio /30 % of final applicants receive funding?/,
- Combination of short pitch, simple business models, team presentations and business plan/feasibility study delivery. This model is usual in private funding /venture, business angles/, it could be implemented also in public sector (case ESA BIC)
- Personal presentations – crucial for quality of team evaluation/“Intangible marks of professionalism”, case pitches for VC/Angel investors/
- Involvement of external experts, consensus approach (case Horizon 2020), mixed evaluation boards. Main focus on content, not on formal issues.
- Vouchers distributed only with formal control – drawing (lottery) of successful applicant.

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f) Realization process

- Milestones financing – against reaching different TRL levels,
- Support with project management tools (IPMA, Prince 2, ITIL, tools like TRELLO, Asana etc.)
- Lean entrepreneurship /tools like Minimum Viable Product (MVP), customer defined pivots, KPI, early adopter’s involvement, rapid prototyping, sprint methods, agile programming/
- Role of intermediators /incubators, Business Angels Network, Universities/
- Mentoring/counselling programs, combination with grants or loan programs (smart money)
- Administration help desk
- Training of public funds administrators in “content issues”. Focus on content!

g) General approach to administration and risk reducing/sharing

- Portfolio approach – the bigger portfolio is more secure for individual fails, another strategy of “weight approach”, limited number of risky but disruptive ideas against big number of low risk investment.
- Program (public) financing – focus on KPI (indicators) of whole program, not for individual fails.
- Combination of different financial tools (equity, grant, loans, mentoring) with one application, multistage evaluation and mentoring/supervising process. Integrated approach.

(f) Please list here the action points and next steps

1. redesigning the declination of the financial instruments according to the recommendations received;
2. simplifying administration procedure introducing automatic upload of public data of companies applying for public funding. Creating a company database where company can upload all the data and information that are usually required;
3. speeding up the time between project application and first payments by introducing automatic evaluation procedures;
4. lower barriers for changes in projects;
5. implement, at regional level, a multistage evaluation process, preselection, selection funnels like the one adopted in Horizon 2020 procedure;
6. promote mentoring/counselling programs in combination with grants or loan programs

(g) Exchange of Experience: please list and (briefly describe) any GOOD PRACTICE RECOMMENDED BY THE EXPERTS

The approach in each table has been crosscutting, that’s why no specific good practices have been identified and presented, however all recommendations emerged from the discussion have been detailed just above in previous sections.

**Please also send the agenda and the pictures of the meeting.
THANK YOU!**

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