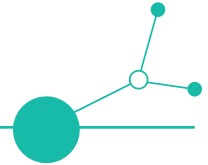


# Recommendations to simplify FIs access

Deliverable ref. code: D.1.1.2



Version 1.2

05/2024





Work package	WP 1
Task	A.1.1
Due date	31/05/2024
Submission date	31/05/2024
Deliverable lead	Build! Gründerzentrum GmbH
Version	1.3
Authors	Egon Britzmann (build! Gründerzentrum) supported by CzechInvest WP1 Leader
Reviewers	Susanna Longo (FINPIE), Gianfranco Di Salvo (FINPIE), Claudia Baracchini (FINN/TEC4I)



## Document Revision History

VERSION	DATE	DESCRIPTION OF CHANGE	LIST OF CONTRIBUTORS(S)
1.0	17.05.2024	1 <sup>st</sup> internal Feedback round	Build! Gründerzentrum
1.1	22.05.2024	Feedback and review	Finpiemonte
1.2	23.05.2024	Incorporate Feedback	Build! Gründerzentrum
1.3	31.05.2024	Final editing and simplification review	FINN/TEC4I LP

## Disclaimer

The information, documentation, and figures available in this deliverable are written by the FI4INN project’s consortium under EC grant agreement CEO100233 and do not necessarily reflect the views of the European Commission.

The European Commission is not liable for any use that may be made of the information contained herein.

PROJECT CO-FUNDED BY THE EUROPEAN COMMISSION		
NATURE OF THE DELIVERABLE	R	
Dissemination Level		
PU	Public, fully open, e.g. web	X
CL	Classified, information as referred to in Commission Decision 2001/844/EC	
CO	Confidential to FI4INN project and CE Programme Services	

\* **R:** Document, report (excluding the periodic and final reports)

**DEM:** Demonstrator, pilot, prototype, plan designs

**DEC:** Websites, patents filing, press & media actions, videos, etc.

**OTHER:** Software, technical diagram, etc.



## TABLE OF CONTENTS

Document Revision History .....	2
Disclaimer .....	2
TABLE OF CONTENTS .....	3
1. Preface .....	7
2. Executive Summary .....	9
3. Introduction .....	10
4. D.1.1.1 Summary - Initial analysis.....	11
4.1. Gaps in support ecosystems in Central Europe.....	11
4.2. Longlist of pains.....	13
5. Methodology .....	16
5.1. Survey.....	17
5.2. Internal Focus Group .....	17
5.3. Virtual Knowledge Centre - Cases .....	17
5.4. Public sources research.....	18
5.4.1. Gap analysis for small and medium-sized enterprises financing in the European Union .....	18
5.4.2. Access to finance for small and medium-sized enterprises since the financial crisis: evidence from survey data .....	19
6. Prioritisation of topics .....	21
6.1. Short survey - results .....	21
6.2. Main findings of the internal focus group .....	22
6.2.1. Internal focus group .....	22
6.3. Matrix of “pains and cures” - working tool .....	23
6.4. Detailed description of priority issues .....	23



7. Initial recommendations .....	25
7.1. Internal focus group - suggestions for improvement .....	25
7.2. Co-creation Workshop .....	25
7.2.1. Business Model Canvas .....	25
Components of the Canvas .....	26
7.2.2. Example .....	26
Support Scheme for Angel Investors (SSAI) .....	26
7.3. List of best practices .....	28
7.3.1. Public sources research .....	29
7.3.2. Cases from the Virtual Knowledge Centre .....	33
7.4. Proposal of recommendations .....	34
7.4.1. Priority issues .....	34
Level of awareness .....	34
Assessment .....	34
Challenging criteria .....	34
Predictability .....	35
Additional Support: .....	35
7.4.2. Secondary issues .....	36
Unclear Definitions .....	36
7.5. Feedback from experts and stakeholders .....	38
Level of awareness .....	38
Assessment .....	38
Challenging criteria .....	39
Predictability .....	39
8. Conclusion .....	40
9. Sources .....	41



10. Annexes.....	42
Annex no. 1 - Short survey - List of questions .....	42
Recommendations to simplify FIs access .....	45
Basic overview .....	45
Activity description and goal .....	45
Dates and time requirements .....	45
Who should participate? .....	45
Agenda.....	46
Recommended topics for discussion.....	47
List of the top issues .....	47
I. Level of awareness and predictability.....	47
II. Challenging criteria and Assessment .....	48
IV. Recommendations (FG conclusion) .....	48
When, how and where? .....	50
Participants.....	50
Agenda.....	51
Main conclusions .....	51
Introduction .....	52
Level of awareness and Predictability .....	52
Challenging criteria and Assessment.....	53
RECOMMENDATIONS TO SIMPLIFY FINANCIAL INSTRUMENTS ACCESS.....	57
Draft for feedback.....	57
Prioritisation of topics .....	57
Detailed description of priority issues .....	58
Recommendations .....	59
Level of awareness.....	59



Assessment .....	60
Challenging criteria .....	60
Predictability .....	60



## 1. Preface

The FI4INN project reacts to the limited and old-fashioned types of funding schemes available to support market-driven innovation in central Europe, where certain weakness in innovation ecosystems is common (due to general low capability of managing complex financial vehicles). The broader goal of the project is to kick off new financing schemes for innovation with high economic, environmental and social impact, to streamline support for research and innovation in small and medium enterprises (SMEs) and startups that do not operate globally and improve the offer of available financial instruments. The FI4INN should help public and private finance providers and policy makers to adopt a new mind-set when designing financial instruments for supporting R&I led by SMEs and startups, based on co-creation, stakeholders' engagement and emphasizing impact measurement.

Regarding the project goals, following the mapping of the current situation and analysing the gaps of the support ecosystem (**D.1.1.1: *Analysis of SME satisfaction with the current opportunities***) it is necessary to start working on more concrete points that could lead to an improvement in the situation regarding the possibilities of financing innovation for SMEs. Within the **Work Package 1 (WP1)** entitled ***Promoting the adoption of innovative financing schemes for innovation*** the **Activity 1.1: *Assessing the needs and gaps existing in financing schemes to support high-tech startups and SMEs throughout their life cycle in central Europe*** continues with **D.1.1.2: *Recommendations to simplify FIs access***, which involves creation of an outline of recommendations and a list of good practices to ease companies' access of financing schemes under the responsibility of BUILD.

This deliverable contributes to the following deliverables and outputs within the WP1:

- ***D.1.2.3: Lessons learnt report to implement diversified portfolio of financing schemes in CE regions***
  - Public report, highlighting the profile of companies suitable for innovative financial instruments FIs, pre-conditions for the investments, recommendations to ease the recourse to hybrid instruments by lower-tier SMEs. Findings from the Activities 1.1 and 1.2 will be compiled within the document.
- ***Output 1.1: Strategy for a more diversified portfolio of financing schemes***
  - This output should indicate a suitable path for Central European policy makers towards the adoption of up-to-date financing schemes that enlarge the portfolio of available instruments supporting innovation projects. The strategy leverages on D1.1.1, D1.1.2, D1.2.1, D1.2.2.

Furthermore, the recommendations created within this document are linked by content to the following deliverables and activities:

- ***D.1.2.1: Virtual knowledge centre for innovative support schemes*** - Some of the cases collected within the public sources research could be, after examination, elaborated into factsheet form and published in the Virtual Knowledge Centre. Conversely, some examples from the Virtual Knowledge Centre served as a source for a list of good practices.
- ***Activity 1.3: Transnational outreach of innovative funding schemes for R&I*** - The recommendations could serve as a source for articles and interesting content for dissemination events.





- **Activity 2.1: Enabling financial ecosystems through multi-level dialogue** - The outcomes are relevant content both for Local Support Group meetings and for third Exchange of Experience event (Klagenfurt - October 2024).
- **Activity 2.2: Transnational capacity building on co-designing financial instruments with end users** - Work on D.1.1.2 and D.2.2.1 is coordinated. The prioritisation of the topics served as input for the co-creation workshops, and in retrospect the canvas creations partly influenced the shape of the recommendations. The insights gained from this output can then serve well to frame the pilot actions.



## 2. Executive Summary

This document, entitled “Recommendations to simplify financial instruments access” builds on the initial analysis conducted within D.1.1.1 “Analysis of SME satisfaction with the current opportunities” and the knowledge gained from two *Exchange of Experience* events held in Prague and Turin. It aims to provide an overview of the issues and problems that startups and SMEs must face, and to propose recommendations to be used by the designers of support tools to reflect the needs of companies and the shortcomings of the current system of support instruments. A list of good practice examples of schemes facilitating access to finance for innovation for SMEs and startups is also part of this document.

This deliverable represents an intermediate step, where the recommendations put forward are of a more general nature, not only to be more universally applicable to the Central European area, but also because they are subject to experts’ feedback. In the following project period, a public report will be created with more targeted recommendations according to the type of companies and the relevance of the type of support.



### 3. Introduction

This document aims to propose recommendations for improving access to innovation financing for startups and SMEs. The list of shortcomings of the current support system is based on an initial analysis of the needs of companies and the perceptions of support institutions. To better target the most pressing problems, a prioritization of topics was carried out, focusing on key issues such as the level of information, evaluation process, complexity of criteria, predictability. We also included examples of good practices of functioning tools. A list of general recommendations has been created and is being gradually subjected to feedback from stakeholders and experts.

Access to finance is a critical factor for the success of startups and SMEs. However, these companies often face significant challenges in obtaining financing, particularly for innovation activities. These challenges can include a lack of awareness of available financing options with complex ecosystems, long and complicated application processes, excessive bureaucracy, stringent eligibility criteria, cash flow risk and other issues.

Based on several sources, a number of key challenges faced by startups and SMEs in accessing innovation financing were identified as crucial:

- Lack of awareness of available financing options
- Complex application processes
- Stringent eligibility criteria
- Unpredictable decision-making processes

In relation to these main pressing points, the key recommendations include:

- Raising awareness of available financing options by various means.
- Streamlining application processes to make it easier for companies to apply.
- Adjusting eligibility criteria.
- Increasing transparency and predictability.

The drafted recommendations are being consulted with stakeholders and experts to refine them and develop more detailed implementation guidelines. The goal is for these recommendations to contribute to improved access to innovation financing for startups and SMEs when support providers apply these principles.

This document will be followed by a public report, to be drafted in the upcoming period of the project, which will outline a more specific list of recommendations based on different types of companies and forms of support tools, including relevant examples of good practices demonstrating the functionality of solutions. The “leitmotif” of these efforts is to move towards better-tailored support for different types of companies and different stages of development.



## 4. D.1.1.1 Summary - Initial analysis

### 4.1. Gaps in support ecosystems in Central Europe

This document seamlessly builds on the activity that was the main pillar of the first semester of the FI4INN project, which is reported under output D 1.1.1.

In the framework of mapping innovation ecosystems in the Central European area, the main finding was that problems appear across the board, regardless of the traditionally experienced dichotomy of West vs. East. These problems, or obstacles, were clustered into a limited number of responses and then the project partners and associated partners rated their importance, their impact on the functioning of the ecosystems on a scale of 1-5. Below we attach the graph from D1.1.1. What is significant for this analysis is that the authors have based their findings on these decisions to deepen their understanding, which will then allow them to better develop a recommendation system that eliminates, or at least reduces, these limits.

Finally, using a Likert scale, the authors ranked the problems and obstacles according to their severity from the perspective of the providers of subsidies and financial instruments. This data was then compared with the project's soft activities, such as focus groups which were conducted in parallel in four countries and then one transnational focus group, and the Nation Stakeholders Group. This feedback was particularly valuable for this follow-up activity as it expanded and modified the list of issues.

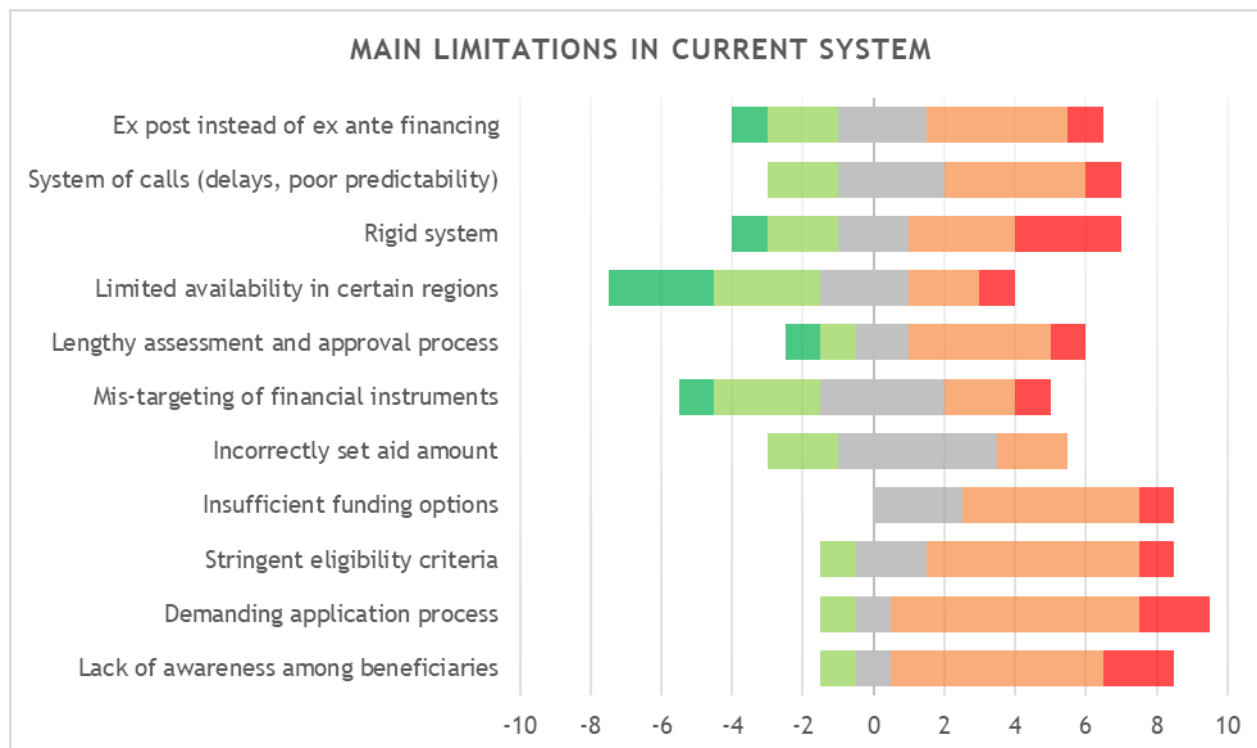


Figure 1: Rating of main limitations in current ecosystems in Central Europe

Based on the above, the authors have created an Ishikawa diagram that incorporates data collected through questionnaires, guided interviews, focus groups with business representatives, national/local stakeholder groups, and of course works with available resources and results from projects that have worked on this topic before. This multi-layered sourcing led the authors to conclude that recurring problems in innovation ecosystems can be identified within a closed set of areas.



The six areas are therefore: awareness, bureaucracy, process, ecosystem setting, financing and strategy. The Ishikawa chart is a very simplistic tool in this case, but essential for proper visualisation and understanding of the main neuralgic points of most ecosystems.

In the case of awareness, the main issue is the complexity of the system, resulting in low awareness among stakeholders about their roles and available tools. Due to overlapping activities, the administration often fails to communicate with potential applicants, whose confusion deepens existing scepticism towards the effectiveness of publicly funded instruments.

Another area which, after the previous analysis, is perceived as problematic is the high level of bureaucracy. This is due to the rigid system, the inability to digitise processes and the minimal level of cooperation between the various actors. The support financing system, in this case, is anything but innovative, contradicting the state's requirements from the beneficiaries of support.

Regarding processes, the main problem is poor, insufficient, or misleading communication. This stems from the system's complexity, the multitude of players, and the range of financial instruments. The system's complexity significantly impacts poor communication and, therefore, low awareness among the beneficiaries.

The ecosystem is closely linked to the problem of processes and bureaucracy. It involves the functioning of individual players who are concerned about losing influence. Moreover, the ecosystem is often artificially created, publicly funded, there is no single indicator KPI (Key Performance Indicator) system to measure how successful the supporting institutions are, and, in fact, they may not show any measurable positive impact on the development of innovation. Similarly, e.g. universities have no incentive to engage in collaborative research, resulting in a dysfunctional triple helix or any other form (pentagram, etc.).

The method of financing is one of the most important factors in determining how conducive the system is to the development of innovation. At the same time, however, it is the area that has the greatest weaknesses, which are at the same time difficult to overcome. In fact, some of the parameters are imposed by the European Commission and changing them is extremely lengthy and inflexible. Support for innovation, which is a matter of perfect timing, so that, for example, the applicant is not outpaced by the competition while waiting for the aid to be granted, is lame in this area.

The last major issue is the lack of a long-term, clear, and well-communicated strategy at the national level. Strategies are often general and, moreover, constantly changing with the political cycle. Organizations are not motivated to internationalize and share information. There is no uniform support framework across beneficiaries (Startups, SMEs, R&D organizations, universities, etc.), which then makes any mutual cooperation extremely complex.

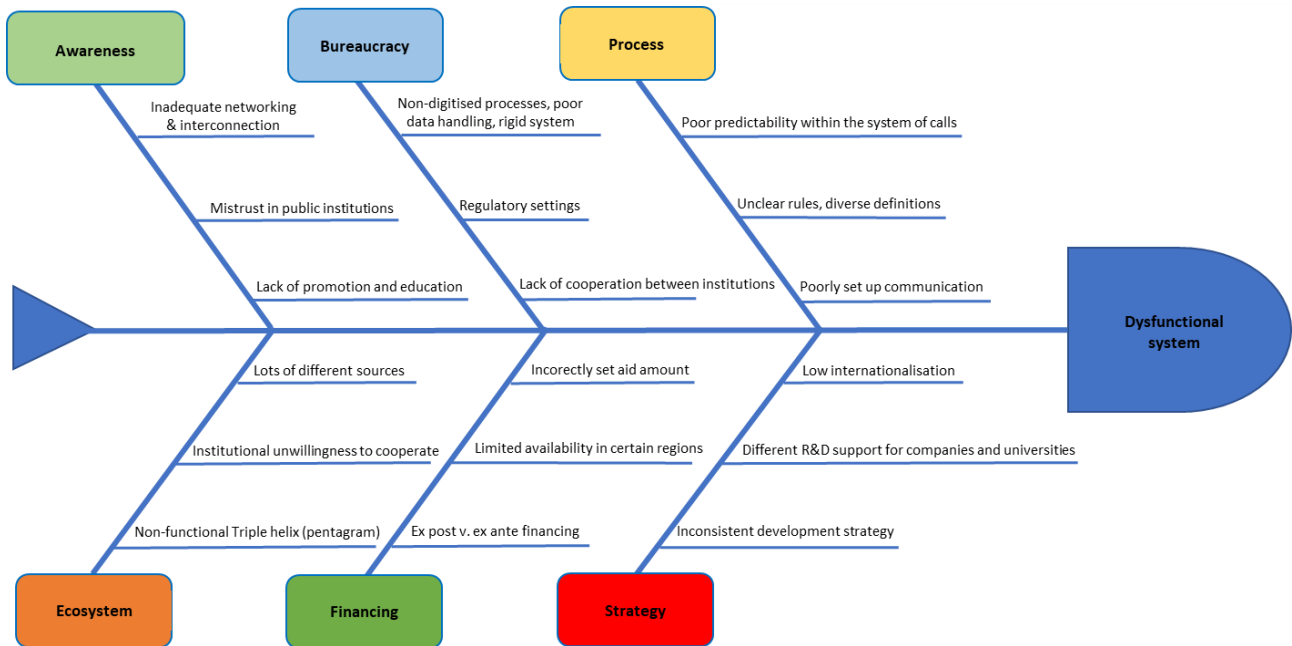


Figure 2: Gaps contributing to dysfunctionality of support ecosystems in Central Europe (Ishikawa chart)

## 4.2. Longlist of pains

The initial analysis (D.1.1.1) identified a number of issues (pains) that somehow limit the effectiveness of innovation funding in SMEs and startups. The list of problematic points below is based not only on the perspective of support institutions, but especially on the needs of companies relevant to the area of support tools, which were discussed with business representatives in the form of focus groups. A brief description is given for each point to put it in the context.

### Complexity of support ecosystems

Support ecosystems are generally very complex. Institutions (or experts, consulting companies) (need/should) play key role in navigation/guidance.

### Insufficient level of awareness of SMEs and Startups

Level of awareness of companies is very high when they cooperate with (support) institutions. It is possible to state that awareness enhances accessibility. In many cases, potential beneficiaries lack relevant information. Thus, applications are then not successful or not even submitted.

### Poor communication between providers and beneficiaries

Communication is crucial. Selection of relevant information, dissemination of updates and appropriate timing are very important.

### Broad/unclear definitions, especially in the evaluation of innovativeness



The question of evaluating innovativeness is often important. It could be sometimes (seen as) subjective, unclear or difficult to judge. Some terms are often too broadly defined, leading to uncertainty and interpretation issues. This lack of clarity can be an obstacle for companies trying to meet eligibility criteria.

### **Stringent eligibility criteria**

Some criteria could be challenging in the point of view of the preparation/readiness of the companies. In some cases, the success rate after application is too low, so that it is not even worth it for the company to apply for support.

### **Burden on cash flow (*Ex post* instead of *ex ante* financing)**

Cash flow is a big issue (especially for small companies and startups). The combination of ex post funding and a long-lasting process is a common practice, which creates unfavourable situation for companies in terms of cash flow.

### **High level of bureaucracy**

Support systems are generally perceived as very bureaucratic with the following problems: too much of paperwork, staff overload for beneficiaries, processes take too long, insufficient communication toward companies etc.

### **Mismatch in demanded and eligible costs**

The most frequently requested expenses are: external services, staff costs, materials, machinery/equipment. It is not always possible to cover the costs requested by companies within the framework of the support schemes. It is also crucial to distinguish the difference between needs of startups and established SMEs in the context of the currently offered instruments, which often cover just a limited list of eligible costs.

### **Demanding or unclear application process and project implementation**

Preparing an application takes a lot of time, often requiring consultations with experts or consultancy companies. Despite the availability of funding opportunities, the structures and processes for applying and utilizing funds are not always clear, making it challenging to navigate within the current subsidy offerings.

### **Lengthy assessment and approval process**

The long process and the waiting have the effect to delay the company's development and disrupt plans in relation to investments, strategy, flexibility of planning, etc.

### **Delays and poor predictability within the system of calls**

Unpredictability in schedules and frequent postponement of planned calls makes it impossible for companies to anticipate and to plan effectively.

### **Limited availability of FIs in certain regions**



In some cases, there are restrictions on applicants for financial instruments due to the location of their registered office or place of business. Specifically in areas that were considered as highly developed.

#### **Incorrectly set aid amount**

Call allocation may not be sufficient and although the project proposals are of good quality and meet the parameters of the Call, not all of them will reach funding. At the same time, the allocation may also be too high and thus unnecessarily reducing the resources in other funds.

#### **Technological Barriers**

Outdated digital systems pose significant obstacles, especially for startups that rely on technology for efficient operations.





## 5. Methodology

The authors drew upon several key resources to draft this deliverable. Specifically, these resources were the outputs of the “Analysis of SME satisfaction with the current opportunities” (D1.1.1) conducted during the first semester of the FI4INN project. They also took advantage of the findings from the national and international focus groups. At the time of writing this document, the authors also had access to materials from two project events in the “Exchange of Experience” format (held in Prague and Turin), which were attended by external foreign experts in innovative finance. Additionally, public sources, academic articles, and contributions from national and local stakeholder groups were used. Inputs from innovative support schemes published in the Virtual Knowledge Centre were also incorporated.

Based on these data and qualitative inputs, two supporting tools were developed. The first is a Matrix of “pains and cures” and the second is a list of good practice as a support tool. Both of these tools served to create a clear delineated set of issues that repeatedly emerged and that make the current ecosystem of support towards SUPs and MSPs inefficient, bureaucratic, cumbersome and challenging.

This closed list of problems was then assessed by project partners (PPs) and associated partners (APs) according to a pre-agreed key in terms of severity and difficulty to change/remove the phenomenon. The aim was to find an intersection of problems that were both severe and relatively easy to eliminate.

This was achieved when the resulting values were graded and then averaged into a single ranking, which came out subsequently. In the first third (a priority for the authors hereafter) there were issues related to level of awareness, assessment, challenging criteria and predictability. These receive more attention in the next phase and, in the case of recommendations for simplification of financial instruments, will also be analysed in greater detail.

In order to ensure that the recommendations in these priority areas are relevant, feasible and effective, the authors of this report decided to share the interim results with external experts with whom they are working in the project, as well as to use regular meetings within the local or national stakeholder group to obtain relevant feedback. Based on this, the recommendation system was then adjusted and refined to be truly validated by experts in the field.

At the same time, however, it is essential that the reader understands that this deliverable, although logically closed, is only a partial part, a kind of intermediate step between D1.1.1 and D.1.2.3. That is, the list mentioned here, and the elaborated proposals will be refined in the next phase of the project, validated with examples of good practice and, if possible, their application to the real parameters of innovation ecosystems will be described.



## Sources

- D1.1.1. [analysis](#)
- [Focus groups outcomes](#)
- [EoEs WS findings](#)
- [Public sources](#)
- [PPs/APs inputs](#)
- [Stakeholders](#)
- [Innovative support schemes](#)

## Tools

- [Matrix of pains and cures](#)
- [List of good practise](#)

## Results & feedback

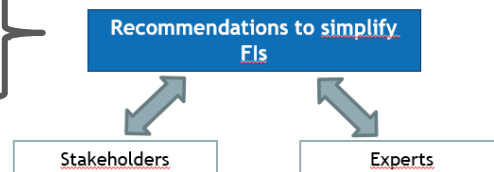


Figure 3: Workplan

### 5.1. Survey

One of the tools that was used to prioritize the topics is a short survey that took the form of an online questionnaire (MS Forms) survey. The complete list of questions is given in Annex No. 1. The aim was to ensure that each partner contributed and that the results were supported by a wider range of respondents. 15 responses were collected, covering perspective of all project partners.

### 5.2. Internal Focus Group

Following the short survey addressing the prioritisation of topics regarding the gaps in support instruments, the subsequent focus group has for aim to validate the selection of the main topics for follow-up work and to initiate a discussion on how to react to the most pressing aspects limiting the availability of support for startups and SMEs. The implementation of the focus group was carried out according to questions distributed to participants in advance. The results of the discussion should serve as one of the inputs for the development of recommendations for improvement, redesign, or creation of renovated support tools. The complete framework including instructions for the project partners and prepared questions is available in Annex No.2.

### 5.3. Virtual Knowledge Centre - Cases

One source of good practice cases is of course the Virtual Knowledge Centre, which is being built by the FI4INN consortium throughout the project.

At the moment, the examples are collected in a spreadsheet (live online document - [D.1.1.2\\_Matrix of pains and cures.xlsx](#)) and are associated with relevant tags according to which shortcomings of the support schemes their mechanisms reflect and in which direction they can be inspiring. Subsequently, examples from the Virtual Knowledge Centre and other sources will be displayed as relevant examples of functioning within the public report.



## 5.4. Public sources research

We conducted extensive research using public sources, seeking similar analyses, reports, and research on our topic. Additionally, we asked our partners to perform similar investigations. Despite our thorough efforts, we found limited relevant information, with only two noteworthy findings. These insights will still be valuable as we move forward with our project.

### 5.4.1. Gap analysis for small and medium-sized enterprises financing in the European Union

The "Gap Analysis for Small and Medium-sized Enterprises Financing in the European Union" provides an in-depth examination of the financing landscape for SMEs in the EU. Main Findings and Key Points are described below.

#### **SME Access to Finance**

SMEs have diverse financing needs that vary by lifecycle stage, growth strategy, and sector. Many SMEs in the EU rely on external financing because internal resources are often insufficient. Access to finance is a persistent issue, with notable differences in challenges faced by SMEs across different member states (MS). Credit guarantees are the most common support mechanism for SME financing.

#### **Debt Financing Gaps**

Debt financing gaps exist due to structural market deficiencies. Key countries with significant gaps include Greece, Cyprus, and Croatia, often due to high non-performing loans (NPLs) and difficulties in providing collateral. The debt financing gap at the EU level is estimated to be EUR 176.7 billion, with 4.3% of EU SMEs considered viable but unsuccessful in accessing debt finance. General financial instruments, such as guaranteed loans and concessional debt products, could help bridge these gaps. Publicly supported financial instruments may add significant value in terms of supporting SMEs' access to finance, especially in countries with high NPLs or where collateral provision is particularly challenging.

#### **Equity Financing Gaps**

Equity financing is underutilized, with significant gaps noted. Only 1.7% of SMEs use equity financing, despite 13% finding it relevant. Countries like Sweden have higher usage rates, while countries like Portugal, Czechia, and Hungary have extremely low usage rates. Public interventions are suggested to stimulate both demand and supply in the equity markets, particularly in innovative and high-risk sectors. The maturity and depth of the equity market, banks' appetite for risk, and SMEs' financial literacy are crucial factors influencing equity financing gaps.

#### **Market Failures and Financial Instruments**

There is a high level of heterogeneity across member states, indicating that tailored financial instruments are necessary. Financial instruments supported by the European Regional Development Fund (ERDF) could play a crucial role in addressing these gaps. Recommendations include improving financial literacy among SMEs, building capacity among local equity funds, and developing targeted financial instruments to address specific market failures. The study emphasizes the importance of financial instruments in mitigating market failures and suggests that ERDF funding should be used more strategically.



## Country-Specific Analysis

The report provides detailed assessments for each member state, identifying specific needs and proposing tailored financial instruments. Some countries, like Greece and Cyprus, show a high debt financing gap to GDP ratio, indicating severe access issues. Poland, for example, has a comparatively low percentage of viable but unsuccessful SMEs due to the presence of cooperative banks and non-bank entities providing finance. Greece's situation is unique due to its banking sector's ongoing restructuring following the financial crisis.

## Role of ERDF and Public Support

ERDF-supported financial instruments are critical in addressing both debt and equity financing gaps. Public support is especially necessary in countries with underdeveloped equity markets or where SMEs face unique challenges. The report calls for the development of country-specific "Country Fiches" to provide detailed analysis and recommendations for Austria, Czechia, France, the Netherlands, Portugal, Romania, and Slovakia.

## Future Directions

The next steps involve presenting the findings to stakeholders and developing detailed "Country Fiches". These fiches will help in understanding specific national contexts and formulating effective financial instruments for the 2021-2027 programming period. The study highlights the need for flexibility and adaptability of financial instruments to effectively address the changing economic conditions and SME needs.

## Methodology

The study uses both quantitative and qualitative analyses to identify financing gaps. Quantitative data analysis involved computing financing gaps using data from various sources, while qualitative analysis included literature reviews and interviews with experts. It highlights the importance of combining various methodologies to get a comprehensive understanding of the SME financing landscape.

This gap analysis provides a crucial foundation for policymakers to design and implement effective financial instruments tailored to the needs of SMEs across the EU, addressing both structural and specific market failures and helping to unlock the greater use of financial instruments for SME financing in the upcoming programming period.<sup>1</sup>

### 5.4.2. Access to finance for small and medium-sized enterprises since the financial crisis: evidence from survey data

The European Central Bank article examines the evolution of SMEs' access to finance from the Global Financial Crisis to the onset of the COVID-19 pandemic. Key findings include:

**Improvement in Financial Constraints:** SMEs reported reduced financial constraints over time due to unconventional monetary policy measures.

<sup>1</sup> Online Source: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.fi-compass.eu/sites/default/files/publications/Gap%20analysis%20for%20small%20and%20medium-sized%20enterprises%20financing%20in%20the%20European%20Union.pdf#:~:text=URL%3A%20https%3A%2F%2Fwww.fi](https://efaidnbmnnnibpcajpcglclefindmkaj/https://www.fi-compass.eu/sites/default/files/publications/Gap%20analysis%20for%20small%20and%20medium-sized%20enterprises%20financing%20in%20the%20European%20Union.pdf#:~:text=URL%3A%20https%3A%2F%2Fwww.fi)  
COOPERATION IS CENTRAL



Dependence on Bank Credit: SMEs remain heavily reliant on bank credit, especially for fixed investments.

Need for Market-Based Instruments: Diversification of funding sources is crucial, particularly for innovative firms. Despite efforts, the use of market-based instruments remains low.

For more details, visit the full article [here](#).<sup>2</sup>

---

<sup>2</sup> Online Source: [https://www.ecb.europa.eu/press/economic-bulletin/articles/2020/html/ecb.ebart202004\\_02-80dcc6a564.en.html#toc8](https://www.ecb.europa.eu/press/economic-bulletin/articles/2020/html/ecb.ebart202004_02-80dcc6a564.en.html#toc8)  
COOPERATION IS CENTRAL



## 6. Prioritisation of topics

Within the initial analysis, we have identified several issues representing gaps between the needs of startups and SMEs and the support currently offered by institutions of innovation ecosystems in Central Europe. In developing our strategic approach to problem-solving, we aimed to concentrate not on addressing every possible issue, but on tackling those challenges that promise significant impacts and present feasible solutions. This focus on prioritization stems from the desire to allocate resources efficiently and achieve meaningful outcomes swiftly.

### 6.1. Short survey - results

Based on the above multi-source inputs that helped create the closed questionnaire and the voting that took place among the Project Partners and Associate Partners of the project the subsequent hierarchy was created.

Problem	Severity	Targetability	Difference	Rank 1	Rank 2	Ranking avg.
Level of awareness	3,9	2,2	1,7	3	2	2,5
Assessment	3,9	2,5	1,3	3	5	4
Challenging criteria	3,9	2,5	1,3	3	5	4
Predictability	3,9	2,6	1,3	2	9	5,5
Unclear definitions	3,1	1,9	1,2	11	1	6
Burden on cash flow	3,9	2,7	1,2	3	10	6,5
Communication	3,5	2,5	1,0	9	4	6,5
Bureaucracy	4,3	3,1	1,2	1	12	6,5
Application process	3,6	2,5	1,1	8	5	6,5
Technological Barriers	2,4	2,3	0,1	14	3	8,5
Eligible costs	3,1	2,5	0,5	12	5	8,5
Regional limitation	3,7	3,2	0,5	7	13	10
System complexity	3,2	3,2	0,0	10	13	11,5
Incorrectly set aid amount	3,0	2,7	0,3	13	11	12

Figure 4: Prioritisation of topics in terms of severity and targetability

At first, the problems were ranked according to their severity. If some problems had the same severity, then they were given the same ranking, and each subsequent problem was moved down by one or more rank numbers. For instance, if two problems with a value of 3.9 were ranked second, the next problem with a value of 3.8 was no longer ranked third, but fourth from severity point of view. The same process was carried out for the difficulty to reduce/eliminate a problem. The last step was to average the two ranking values. This created one value for which an inverse relationship holds that the lower the resulting value, the higher the priority for the project, because it meets two basic parameters: it is a serious obstacle, but on the other hand it is relatively easy to remove it.

As visible from the *Figure 4*, the following issues emerged as the most promising from our assessment: Awareness, Assessment, Challenging criteria and Predictability.



Based on these findings, the authors moved to the next step: verifying them through an internal focus group. This step aimed to confirm the hierarchy, crucial for further work, and to gather additional information. This information would help the authors understand why these problems persist and identify targeted steps to potentially eliminate these obstacles.

## 6.2. Main findings of the internal focus group

### 6.2.1. Internal focus group

The focus group in the Czech Republic was jointly organized by CzechInvest and BUILD. It was attended by 21 representatives: 20 from project partners and one from an associate partner. Representatives from the following countries attended the focus group: Austria, Croatia, Czech Republic, Hungary, Italy, Poland, and Slovenia. In terms of geographical coverage, the following countries were represented: Austria, Croatia, Czech Republic, Hungary, Italy, Poland and Slovenia.

The main aim was to validate the selection of the main topics:

1. Level of awareness
2. Assessment
3. Challenging criteria
4. Predictability

This step was important for the follow-up work and for opening a discussion on how to react to the most pressing aspects limiting the availability of support for startups and SMEs.

Main finding of the internal focus group:

- **Political Influence:** Financial instruments are politically influenced, lacking long-term perspective. They are designed for quick results to showcase progress to voters, leading to instability and short-sighted decision-making.
- **Hesitancy of Private Investors:** Private investors may be reluctant to support start-ups due to perceived risks, creating a dependency on public funding that may not align with financial sustainability principles.
- **Lack of Seed Capital:** Many ecosystems suffer from a scarcity of seed capital, hindering the growth of startups and discouraging the investors interest.
- **Insufficient Funding:** Low interest from private investors due to rather insignificant markets (Slovenia e.g.). This forces the public sector to supersede business angels, venture capital funds.
- **Undefined Start-up Definitions:** There is a lack of common definitions for startups on a European level, causing confusion and inconsistency in eligibility criteria across different regions.
- **Rigid European regulations:** Strict criteria on public support to the private sector severely limit any more flexible, innovative or hybrid forms of support that would be more responsive to demand.
- **Gap between supply and demand:** Heterogeneous group of beneficiaries vs. homogeneous financial institutions

The complete results are summarised in Annex n. 3.



### 6.3. Matrix of “pains and cures” - working tool

In the course of the work on the recommendations, a supporting working tool was developed, informally called Matrix of pains and cures (available here: [D.1.1.2\\_Matrix of pains and cures.xlsx](#)).

As the title suggests, this is a document containing the following:

- A longlist of shortcomings of the currently offered support schemes identified both by institutions and by representatives of SMEs and startups
- A prioritisation of the issues based on severity and the possibility to address them
- A table containing the results of a brainstorming exercise on possible reactions (“cures”) to the identified issues
- A list of draft recommendations to improve access to financial instruments for SMEs and startups
- A list of best practices, i.e. support tools that address some of the specific issues in a positive way
- Other additional information

It is a living document, which is being worked on continuously and will be further updated during the FI4INN project development, especially in the section on good practice examples and recommendations.

### 6.4. Detailed description of priority issues

The four issues we’ve highlighted are crucial in understanding and improving support systems for startups and SMEs. Below we provided a detailed description of each:

#### 1. Level of Awareness

A primary concern is the level of awareness among startups and SMEs about available support instruments. Many businesses, especially newer and smaller ones, are often not fully aware of the various grants, loans, mentoring programs, and other resources accessible to them. This lack of awareness can stem from inadequate outreach efforts by support agencies, complex information dissemination channels, or simply the overwhelming amount of information that needs to be navigated. Additionally, there may be a mismatch between the communication strategies of support programs and the actual informational needs or habits of target beneficiaries. For example, important information could be buried in seldom-visited websites or conveyed in jargon-heavy language that alienates non-specialist entrepreneurs.

#### 2. Assessment

The assessment process for determining eligibility and appropriateness of support for startups and SMEs is another significant barrier. This process often involves rigorous documentation, detailed business plans, and forecasts that young companies may struggle to provide accurately. The criteria used in assessments can sometimes be opaque or overly stringent, reflecting a risk-averse attitude that fails to accommodate the innovative but unpredictable nature of startups. Additionally, the time taken to process applications and make decisions can be prohibitively long, delaying the receipt of much-needed support.





### 3. Challenging Criteria

The criteria set by support programs can often be a critical stumbling block. These may include high minimum revenue thresholds, requirements for personal guarantees, or proven track records of profitability that nascent businesses simply cannot demonstrate. Such criteria can inadvertently favour established or larger SMEs over truly early-stage companies that would benefit most from the support. Furthermore, the criteria might not take into account sector-specific challenges, thereby disadvantaging startups in rapidly evolving industries like technology or biotech, where traditional business metrics might not apply.

### 4. Predictability

Predictability in the availability and terms of support instruments is crucial for planning and confidence in business decision-making. Startups and SMEs often face uncertainty regarding whether support programs will continue over time, what changes might be made to their terms, and how these changes might affect their eligibility or the value of the support. This unpredictability can deter businesses from applying for support in the first place, as the effort and resources spent in securing assistance may be seen as risky if the support might be altered or withdrawn on short notice.

Each of these issues requires careful consideration and strategic action to enhance the efficacy and reach of support instruments for startups and SMEs, ensuring they can contribute robustly to economic growth.



## 7. Initial recommendations

The drafted recommendations stem from a comprehensive approach involving multiple sources. We gathered insights from an internal focus group and a co-creation workshop, where we used a collaborative Canvas to brainstorm and refine ideas. Additionally, we incorporated best practices identified from extensive research and industry standards to ensure our recommendations are well-founded and practical.

### 7.1. Internal focus group - suggestions for improvement

- **European-level Coordination:** Establish common definitions and standards for startups across the EU to ensure consistency and facilitate cross-border operations.
- **Long-term Planning:** Develop financial instruments with a focus on long-term sustainability rather than short-term political gains, ensuring stability and reliability for startups.
- **Flexible Funding Models:** Design funding schemes that cater to the diverse needs of startups across different sectors and stages of development, allowing for customized support.
- **Financial Education:** Provide resources and training programs to educate startups on financial management, investment strategies, and accessing funding opportunities.
- **Innovation Incentives:** Encourage the development of innovative financial instruments that address specific challenges faced by startups, such as risk mitigation and equity financing.
- **Regional Adaptation:** Tailor support schemes to the unique characteristics and needs of each region, considering factors like industry specialization, talent pool, and market dynamics.

### 7.2. Co-creation Workshop

The Co-creation Capacity Building Workshop held on March 20, 2024, at the LINKS Foundation in Turino (IT), focused on enhancing collaboration and innovation among participants from various backgrounds. Moderated and organized by Patrycja Węgrzyn (ARSSA) and Tom Johnson (Impact Hub), the workshop began with an icebreaking session that facilitated initial interactions among attendees. This was followed by a needs analysis presentation by CzechInvest, which provided a general overview based on recent surveys and focus groups. The main part of the workshop included breakout conversations in a *world café* format, allowing participants to delve into the needs analysis results and discuss their applicability in different contexts. The session concluded with a collaborative activity using the “Financial Instrument/Support Scheme Design Canvas” to design new financial instruments or related support schemes, with each group presenting their outcomes. The workshop was wrapped up with final insights and conclusions, marking a productive day of engagement and co-creation.

#### 7.2.1. Business Model Canvas

The canvas on which we worked in the co-creation Workshop with Stakeholder appears to be a structured form of a Business Model Canvas or a similar strategic management template, adapted for financial instruments or support schemes. The “Financial Instrument/Support Scheme Design Canvas” is used to design and brainstorm initial concepts for tools that could provide financial support or incentives to specific target groups, such as angel investors or small and medium-sized enterprises (SMEs) in the context of innovation



and economic growth. Here below we describe the components of the canvas in detail and how it fits into the brainstorming process.

### Components of the Canvas

**Brand and Naming** offer the project its identity, creating a relatable and recognizable identification for the intended audience. They encapsulate the program's purpose and serve as a reference for all communications.

**Key Partners & Their Roles** highlight the collaborative nature of the scheme, bringing into focus the diverse stakeholders and their integral roles. Whether they are funding bodies, industry networks, or educational institutions, these partnerships form the backbone of the program's potential for success.

**Key Factors of Success** detail the necessary conditions for the initiative's effectiveness, such as accessibility, investor awareness, and public-private synergy. They are a compass that guides the project toward its core goals.

**Value Propositions** present the unique benefits that the initiative offers, from financial incentives to opportunities for leveraging additional capital. They place the program in the competitive landscape.

**Key Activities** are the actionable items, laying out the roadmap for implementing the scheme, from eligibility criteria to guarantee structures and operational timeframes.

**The Purpose** section distills the overarching goal of the initiative, ensuring that all efforts are oriented towards a unified aim, such as spurring economic growth or catalysing technological innovation.

**Requested Outputs** specify tangible targets for the program, such as the number of startups to support or the total investment sum, offering clear markers for success.

**Funding** outlines the financial underpinning of the scheme, indicating compliance with state aid rules and the blend of public and private investment sources.

**Target Audience/Eligible Applicants** zones in on the specific demographic the scheme aims to empower, ensuring that the program is fine-tuned to meet the needs of this group.

**Channels** describe the means of communication and interaction with the target audience, including personal networking and matchmaking, thus ensuring the program's visibility and accessibility.

Lastly, **Target Needs** reflect the essential requirements of the target groups that the scheme aims to fulfil, whether it is return on investment, simplification of processes, or enhanced awareness.

In the context of EU projects, such canvases are particularly useful for aligning the program design with the stringent requirements of EU funding mechanisms and ensuring that the design of the financial instruments is strategic, targeted, and has a high potential for success.

### 7.2.2. Example

A practical example from the co-creation workshop will now be presented and described.

#### Support Scheme for Angel Investors (SSAI)

##### Brand/Naming:



"Support Scheme for Angel Investors (SSAI)" suggests a program name, which encapsulates its intent and target audience.

#### **Key Partners & Their Roles:**

Public Fund: Presumably, a government-based funding source.

Angel Networks: Groups of angel investors who may contribute funds or expertise.

#### **Key Factors of Success:**

Easy access - Making the scheme readily available.

Awareness of new investors - Educating potential investors about opportunities.

Connection of private and public sectors - Bridging the gap between governmental support and private investment.

#### **Value Propositions:**

6 million EUR for startups - The amount of funding available.

Larger leverage, more funding - Likely referring to the ability to attract additional funds through the initial investment.

More angel capital - The goal to increase overall investment from angel investors.

#### **Key Activities:**

Public guarantee for 40% - Possibly a guarantee to cover a portion of the investment.

All costs are eligible - No restrictions on the type of costs covered.

Duration from 3 to 4 years -The time frame for the support scheme.

#### **Purpose:**

"Economic growth" indicates the ultimate goal of this support scheme.

#### **Requested Outputs:**

10+ startups (early stage) - The target number of startups to be supported.

6 million EUR - Confirmation of financial engagement

#### **Funding:**

"Public money | state aid rules (from local to...)" indicates regulatory compliance and sources of funding.

#### **Target Audience/Eligible Applicants:**



"Angel Investors (International)" targets a specific investor class with a global outlook.

#### Channels:

Events, personal contact, matchmaking, chambers: Various means of promoting the scheme and facilitating connections.

#### Target Needs:

Return on investment (ROI) and impact, essential considerations for angel investors.

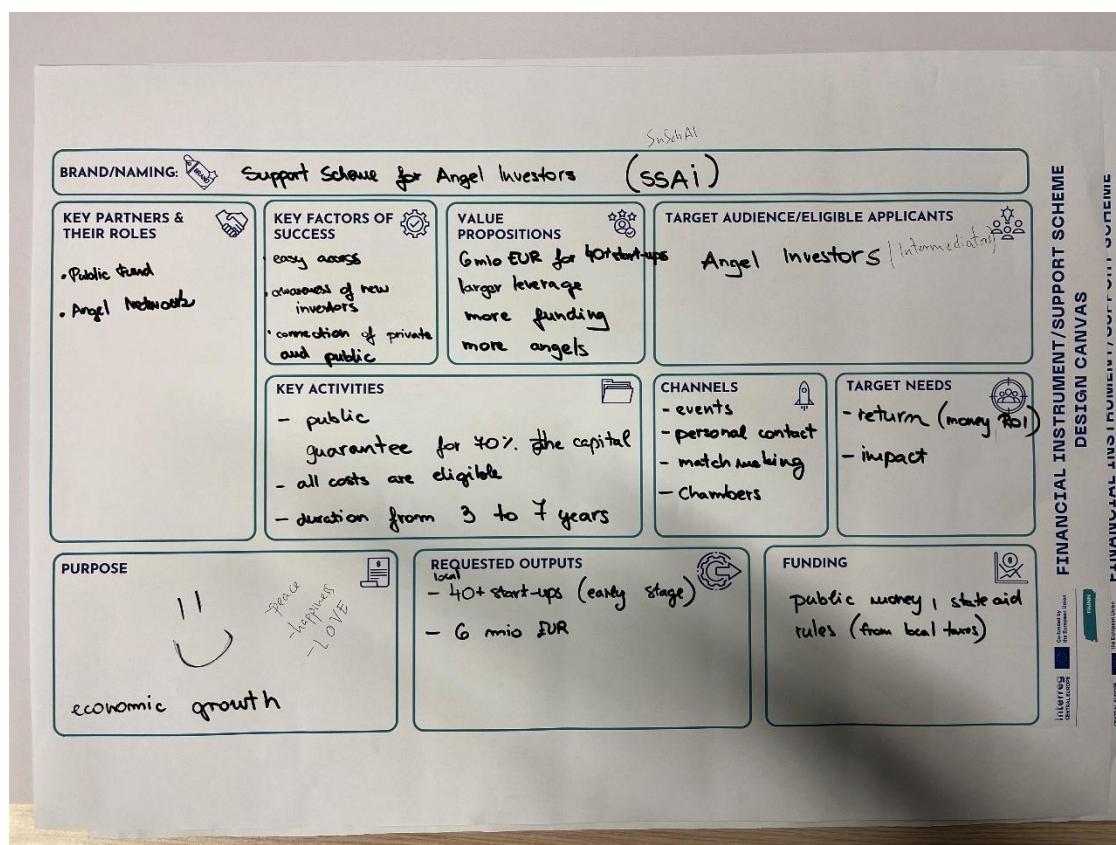


Figure 5: BMC practical example

### 7.3. List of best practices

The cases are compiled into a "List of Best Practices," which is part of the Matrix of "Cures and Pains". The document is stored here: [\[D.1.1.2\\_Matrix of pains and cures.xlsx\]](#). More cases will be added in the future. In this deliverable, we present a few example cases here below, sourced from both public sources and Virtual Knowledge Centre. The associated tags highlight the top issues addressed by these instruments.



### 7.3.1. Public sources research

#### **EIC Accelerator**

Issues addressed: *predictability, level of awareness, assessment*

The EIC Accelerator, a pivotal program within the European Innovation Council, addresses several critical challenges for SMEs and startups, particularly in the realms of awareness, predictability, and the intricacies of criteria and assessment.

The EIC Accelerator offers substantial support to startups during the application phase, providing a structured and guided process to increase their chances of success. Firstly, the application is divided into three key steps: a short application, a full application, and an interview process. In the short application phase (Step 1), startups must submit a 10-page written proposal, a 3-minute video pitch, and a pitch deck, alongside standard online form fields. This initial phase allows startups to present their idea in a comprehensive yet succinct manner.

If the application is successful in Step 1, startups move to the full application stage (Step 2), which involves a more detailed 50-page proposal, additional annexes, a refined 3-minute video pitch, and a comprehensive pitch deck. This stage also requires thorough financial documentation, a Freedom to Operate (FTO) analysis, a Data Management Plan (DMP), Letters of Intent (LOI), professional CVs, and other relevant documents. This comprehensive approach ensures that startups present a robust case for their innovation and business potential.

Finally, if successful in Step 2, startups proceed to the interview stage (Step 3), where they present a 10-minute pitch followed by a 35-minute Q&A session with the EIC Jury. This phase allows startups to directly engage with the jury and showcase their project's potential.

Throughout the application process, startups receive feedback and an Evaluation Summary Report (ESR) after each stage, offering valuable insights for refining their proposals. Additionally, the EIC Accelerator's website and advisory services provide essential templates, guidance, and support for applicants, helping them navigate each step of the process effectively. This structured approach, combined with comprehensive guidance and support, significantly aids startups in crafting compelling applications and maximizing their chances of securing funding and support from the EIC Accelerator.

One major challenge is the level of awareness among potential applicants. The EIC Accelerator targets high-risk, high-impact projects, often in specialized and emerging technology fields. The program has been effective in addressing this through its distinct thematic challenges and widespread publicity, ensuring that relevant SMEs and startups are aware of the funding opportunities. The program offers calls in predefined topics that have been identified in areas where breakthrough technologies or game-changing innovations can have a major impact on EU objectives, including human-centric AI, virtual worlds, and renewable energy sources.

Regarding predictability, the EIC Accelerator offers a clear and structured application process. Applicants are encouraged to apply proactively, rather than in urgent need of funds, to explore various funding avenues. The process includes three main stages: a written proposal, an interview, and, if successful, the funding phase. This process, while competitive, is transparent and provides a clear roadmap for applicants. The EIC Accelerator also holds multiple submission deadlines throughout the year, allowing applicants to strategically plan their applications.

The challenge of criteria and assessment is addressed through the program's comprehensive evaluation process. Applicants face a rigorous selection procedure, which includes a multi-stage evaluation by experts in various fields. This ensures that only the most promising and innovative projects are selected. The feedback provided at each stage of the application process is constructive and detailed, enabling applicants



to refine their proposals for future submissions. Moreover, the program offers guidance through its dynamic Applicant Training Program, providing templates and instructions to aid applicants in crafting compelling proposals.

In summary, the EIC Accelerator's approach to addressing the challenges of awareness, predictability, and criteria and assessment lies in its structured application process, thematic focus, and comprehensive support and guidance for applicants. This strategy not only enhances the chances of success for innovative SMEs and startups but also aligns with the broader objectives of the European Union in fostering cutting-edge innovation and economic growth.<sup>3</sup>

### **Market Readiness Assistance grant (Singapore)**

Issues addressed: *predictability, level of awareness, assessment, application process*

In Singapore, the Market Readiness Assistance (MRA) grant is an example of targeted support for SMEs aiming to expand overseas. This grant covers up to 70% of eligible costs for activities like market promotion, business development, and market set-up in new international markets. Additionally, the Enterprise Financing Scheme (EFS) has been introduced to assist SMEs in different growth stages with financing needs, covering areas like working capital, fixed assets, trade, project financing, and mergers and acquisitions.

The Market Readiness Assistance (MRA) grant in Singapore is designed to support small and medium enterprises (SMEs) in expanding into new overseas markets, addressing several challenges including awareness, predictability, challenging criteria, and assessment.

Firstly, awareness is addressed through clear communication and promotion of the grant's benefits and application process. The MRA grant supports up to 50% of eligible costs for activities such as overseas market promotion, business development, and market setup, with a cap of \$100,000 per company per new market. This information is disseminated through various channels, making it accessible to a wide range of potential applicants.

Regarding predictability, the MRA grant provides a structured and predictable framework for applicants. The application process is outlined clearly, with defined steps and criteria, and support is provided for a comprehensive range of activities necessary for market expansion. Companies can plan their activities knowing the specific financial support available to them.

The criteria for the MRA grant are specific yet attainable, making them challenging but not prohibitive. To be eligible, companies must be registered and operating in Singapore, have at least 30% local equity, be new to the target overseas market, and meet certain financial thresholds. These criteria ensure that the support is targeted at SMEs genuinely looking to expand overseas and capable of benefitting from the grant.

Assessment of applications is thorough yet transparent. The MRA grant requires companies to provide detailed documentation and justifications for their proposed activities. This rigorous process ensures that the funding is allocated efficiently and effectively to businesses with well-planned and viable overseas expansion projects.

The MRA grant's website provides detailed instructions on how to apply. Companies are advised to identify their target overseas country and activity for which they are applying. They must ensure that their sales in that market have not exceeded S\$100,000 in any of the preceding three years. The website also offers a checklist of necessary documents and information needed for the application.

---

<sup>3</sup> Online Source:chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://eic.ec.europa.eu/document/download/d801a0d8-492e-4510-9dd6-8d942756e7c7\_en?filename=EIC-workprogramme-2024.pdf  
COOPERATION IS CENTRAL



In summary, the MRA grant by Enterprise Singapore effectively tackles the challenges of raising awareness about the availability of support, offering a predictable and clear application process, setting attainable yet thorough criteria, and ensuring a detailed and fair assessment of applications.<sup>4</sup>

### **Equity Measures and Fintech Involvement in UK:**

Issues addressed: *predictability, level of awareness, application process*

The funding and support mechanisms involving equity measures and Fintech involvement in the UK address various challenges related to awareness, predictability, criteria, and assessment in supporting SMEs and startups:

**Level of Awareness:** Equity crowdfunding platforms and other Fintech solutions increase the awareness of alternative financing options among SMEs and startups. By offering innovative funding methods, these platforms cater to a diverse range of business needs and expose entrepreneurs to various investors and financial products. This heightened visibility of alternative finance options can significantly boost SMEs' and startups' understanding of available funding sources beyond traditional bank loans.

**Predictability:** The use of Fintech in delivering funding and support provides a degree of predictability to SMEs and startups. For instance, digital platforms can offer more predictable timelines for funding approval and disbursement compared to traditional financing methods. However, the emerging nature of the Fintech sector can also introduce some uncertainties, such as the evolving regulatory landscape and the relatively short track record of many Fintech firms compared to established financial institutions.

**Challenging Criteria:** In the UK, the involvement of equity crowdfunding platforms in delivering government-matched funding involves certain criteria like reduced interest rates for convertible loans. While these criteria are intended to support startups, they can also be challenging for businesses unfamiliar with equity financing or convertible loans. Fintech solutions, by their nature, might require businesses to adapt to new models of financing, which might include varied terms and conditions different from traditional loans.

In summary, while the involvement of equity measures and Fintech in the UK offers novel opportunities for funding and support to SMEs and startups, it also presents unique challenges. These include navigating new funding criteria, adapting to digital assessment methods, and coping with the predictability issues inherent in a rapidly evolving financial technology landscape.<sup>5</sup>

### **Government Venture-Capital Funds - The Business Development Bank of Canada**

Issues addressed: *predictability, level of awareness*

The Business Development Bank of Canada (BDC) is an example of a successful government venture-capital fund, investing in Canadian entrepreneurs and startups. BDC Venture Capital has made significant investments and attracted talented VC professionals, spurring economic development and job creation. BDC's scale-up program aims to assist high-potential domestic firms in overcoming growth challenges through multidisciplinary support.

The BDC primarily addresses the challenges of awareness and predictability. In addition, they look at challenging criteria and evaluation in their funding process and support mechanisms in the following ways:

BDC maintains a high level of awareness among Canadian entrepreneurs and startups through extensive marketing and outreach programs. Its mandate includes supporting the growth of Canadian entrepreneurs,

<sup>4</sup> Online Source: <https://www.enterprisesg.gov.sg/financial-support/market-readiness-assistance-grant>

<sup>5</sup> Online Source: chrome-extension://efaidnbnmnibpcjpcglclefindmkaj/https://assets.publishing.service.gov.uk/media/5a80793540f0b62302693b79/UK\_FinTech\_-\_On\_the\_cutting\_edge\_-\_Full\_Report.pdf





and this is often communicated through various channels, including workshops, seminars, and digital platforms. By providing networking opportunities with experts and organizing training sessions, BDC ensures that startups are well-informed about the available support. BDC provides a structured and transparent application process, making the funding process predictable for applicants. With clear guidelines on eligibility, application procedures, and investment criteria, startups can effectively plan and prepare their applications. BDC's approach in investing, which includes active direct investment and passive investment in various funds, provides a level of predictability in the types of projects and companies they are likely to support.

The criteria for BDC's funding and support are comprehensive, yet designed to be attainable for high-potential firms. For example, in its Growth Driver Program, the criteria for selection include financial performance, internal skills, team capabilities, and key growth challenges. While these criteria are challenging, they are also tailored to identify businesses that have the potential for high impact and growth, ensuring that funding is directed towards ventures with solid business models and clear competitive advantages. BDC's assessment process involves a rigorous evaluation of applicants. This evaluation is not solely based on financial metrics but also considers the overall business model, market potential, and the quality of the management team. By involving a team of experienced professionals and consultants in the assessment process, BDC ensures a thorough and fair evaluation of each application. Additionally, their investment arm, BDC Venture Capital, employs a high-quality investment board to oversee and assure the quality of investments, further adding to the robustness of the assessment process.

Overall, BDC's funding process and support mechanisms effectively address the common challenges faced by startups and SMEs, offering a comprehensive system that balances rigorous assessment with accessibility and predictability.<sup>6</sup>

**Governments could help small and medium-size enterprises (SMEs) by focusing on three characteristics.**



**Confidence**

Increase SME business confidence by supporting ease of doing business and by promoting a culture of entrepreneurship.



**Growth**

Support the growth of SMEs by facilitating access to local and global markets, providing technical assistance that drives innovation, and ensuring availability of tailored financial products to support business expansion.



**Competitiveness**

Create a globally competitive SME pool by providing required business support infrastructure and actively supporting productivity and technology adoption.

McKinsey  
& Company

Figure 6: Unlocking growth in SMEs

<sup>6</sup> Online Source: <https://www.bdc.ca/en/bdc-capital/venture-capital/>  
COOPERATION IS CENTRAL



### 7.3.2. Cases from the Virtual Knowledge Centre

One of important sources of best practices is the FI4INN Virtual Knowledge Centre. Since these cases are elaborated in detail on the project website, it is not useful to duplicate the texts within this document. These examples will still be valuable for creating more concrete recommendations in the following public report, as we also anticipate more cases to be added throughout the project development.

Below is an up-to-date inventory of the elaborated examples within the Virtual Knowledge Centre, i.e. existing financial instrument relevant for the recommendations drafting, including the tags assigned.

#### CASE STUDIES | LOANS AND GUARANTEES

- **Tranched Cover** (IT)
  - Issues addressed: *challenging criteria, assessment, cashflow, eligible costs*
- **Start-upPlus SK75 Incentives for Starting Innovative Companies** (SI)
  - Issues addressed: *eligible costs, cashflow*
- **Subordinated Loan** (CZ)
  - Issues addressed: *eligible costs, cashflow, bureaucracy, challenging criteria*

#### CASE STUDIES | EQUITY AND QUASI EQUITY

- **Funderbeam Crowdfunding** (HR)
  - Issues addressed: *level of awareness, assessment*
- **Guarantee Fund for Venture Capital** (IT)
  - Issues addressed: *level of awareness, predictability*
- **EquiFund** (GR)
  - Issues addressed: *cashflow, eligible costs, amount of aid*

#### CASE STUDIES | IMPACT / REWARD

- **Technology Incubation** (CZ)
  - Issues addressed: *assessment, level of awareness, cashflow, regional limitation*
- **Focus Area Innovation Support Programme** (HU)
  - Issues addressed: *assessment, eligible costs, cashflow*

#### CASE STUDIES | SERVICES

- **Investment Ready** (NL)
  - Issues addressed: *bureaucracy, challenging criteria*
- **Incubation “move”** (AT)
  - Issues addressed: *level of awareness, assessment, predictability*
- **Silesian Space of Innovations** (PL)
  - Issues addressed: *level of awareness, communication, regional limitations, system complexity, assessment*
- **INNOVATION VOUCHER SCHEME** (IR)
  - Issues addressed: *application process, bureaucracy, challenging criteria*
- **Startup Factory 2023** (HU)
  - Issues addressed: *system complexity, regional limitations*

#### CASE STUDIES | COMBINED INSTRUMENTS

- **Co Investment Start Up Capital ACCIÓ** (ES)
  - Issues addressed: *cashflow*
- **Young innovative companies** (FI)
  - Issues addressed: *eligible costs*



## 7.4. Proposal of recommendations

The recommendations listed below aim to create a more supportive ecosystem for startups and SMEs, enabling them to thrive and contribute significantly to economic growth. We consult with experts and stakeholders at regional level or at national level (depending on the nature of the partners involved in the project). The draft used for initial feedback is presented in Annex No. 4.

### 7.4.1. Priority issues

#### Level of awareness

- **Rec. 1. Online Resources and Tools:** Develop in cooperation with regional/national stakeholders one comprehensive online portal and tools that provide easy access to information about financing options, eligibility requirements, and application processes. If a tool of this type works, present your relevant support instruments here and provide regular updates.
- **Rec. 2. Educational Programs and Workshops:** Organize educational programs and workshops for startups and SMEs to increase their awareness on available financial options (including loans, grants, venture capital, and other funding opportunities) and mutual overlap or continuity.
- **Rec. 3. Marketing and Outreach Campaigns:** Run targeted marketing and outreach campaigns (best on the level of financial institutions and government bodies) to better inform startups about the available services and how to access them (including newsletter, social networks, contact person for questions and direct communication etc.).

#### Assessment

- **Rec. 1. Simplified Application Processes:** Streamline application processes to make them less cumbersome and more transparent. This could include shorter forms, fewer required documents, and clearer guidelines. Plan the sequential steps of the evaluation so that they are ordered from the least demanding to more detailed evaluation documents (e.g. elevator pitch -> basic business plan -> detailed formal documents - not the other way around).
- **Rec. 2. Use of Technology in Assessments:** Increase the digitalisation of the process. Implement advanced IT technologies like automation, machine learning or AI to process applications more quickly and efficiently, which can help in better assessing the startups potential and risks.
- **Rec. 3. Customized Evaluation Criteria:** Develop more nuanced evaluation criteria that can account for the unique aspects of startups and SMEs, such as potential for growth and innovation rather than just traditional metrics like collateral or past profitability.

#### Challenging criteria

- **Rec. 1. Flexible Lending Criteria:** Revise lending criteria to include alternative data points such as projected cash flows, the entrepreneurial team's background, and market potential instead of heavily relying on historical financial performance.
- **Rec. 2. Risk-sharing Mechanisms:** Encourage the use of risk-sharing mechanisms, such as loan guarantees by government or larger corporations, to reduce the perceived risk for lenders.
- **Rec. 3. Support from Incubators and Accelerators:** Enhance collaborations between financial institutions and business incubators or accelerators to provide mentorship and financial support



tailored to startups' specific needs, which can support preparation to access to more demanding support programmes.

- **Rec. 4. Staging/phasing/levelling of support:** Divide the form of support into multiple stages/phases/levels (Different types of companies and startups -> different composition of forms of support, different amounts of money, different requirements).

### Predictability

- **Rec. 1. Clear Guidelines on Funding Allocation:** Offer clear, consistent guidelines and timelines on how and when funding decisions are made, as to provide startups with a predictable framework and timeline. Coordinate the timetable with other institutions offering support to companies or apply continuous call for applications.
- **Rec. 2. Regular Feedback Mechanisms:** Establish mechanisms where startups can receive regular feedback on their progress in the funding cycle, including areas for improvement if they are initially unsuccessful in securing funding.
- **Rec. 3. Long-term Financial Planning Assistance:** Provide tools and advisory services to help startups and SMEs plan their financial future, including scenario planning and financial forecasting.
- **Rec. 4. Long term open call:** Create a support scheme with a continuous open call (for the whole year) with periodic evaluation of the projects (e. g. every 3 months).
- **Rec. 5. Criteria and condition are stable and announced early:** Publish the terms of the support instrument well in advance and try to maintain continuity without frequent changes in the conditions. However, in case of a fundamental mismatch between the needs of applicants and the support offered, do not hesitate to adjust the terms, but be sure to communicate the changes in a prompt manner.

### Additional Support:

- **Government Policies and Incentives:** Advocate for government policies that encourage venture capital and angel investments in startups and SMEs. This could include tax breaks, co-investment funds, or direct subsidies.
- **Networking and Partnership Opportunities:** Facilitate networking events that can connect startups with potential investors and partners. This not only helps in securing funding but also in building crucial industry connections.



## 7.4.2. Secondary issues

This section addresses various secondary issues, providing brief comments and recommendations based on our knowledge. Each issue includes a general recommendation followed by brainstorming ideas to implement these recommendations effectively. These insights aim to tackle the challenges identified and suggest practical solutions for improvement.

### Unclear Definitions

#### General Recommendation:

Develop clear criteria and provide detailed guidelines and examples.

#### Brainstorming:

1. Create legal definitions for "startup" and "innovation" to streamline future financial instruments.
2. Hire subject matter experts to assess the quality of project plans.

### Burden on Cash Flow

#### General Recommendation:

Implement pre-funding options and shorten the funding process.

#### Brainstorming:

1. Create a combined instrument that includes a bank loan (interest-free or low-interest) and a subsidy.
2. Develop an instrument that converts from a loan into a non-repayable subsidy upon meeting basic milestones, providing immediate funds after the project plan approval.

### Communication

#### General Recommendation:

Establish a central communication platform and ensure timely updates.

#### Brainstorming:

1. Maintain an effective customer relationship management (CRM) across all institutions offering FIs to handle data efficiently.
2. Create targeted communication channels with clients, including newsletters, networking events, professional seminars, and incubation programs.

### Bureaucracy

#### General Recommendation:

Simplify processes, reduce paperwork, and increase support staff.

#### Brainstorming:

1. Digitize processes.
2. Create a unified data warehouse to integrate data from other state institutions, reducing the need for repeated documentation.
3. Keep applicants informed about the status of their applications, similar to shipment tracking.



## Application Process

### General Recommendation:

Streamline the application process and provide clear instructions and support.

### Brainstorming:

1. Ensure that terms and criteria in funding applications are clearly defined and specific to reduce uncertainty and interpretation issues.

## Technological Barriers

### General Recommendation:

Improve digital infrastructure and provide technical support to applicants.

### Brainstorming:

1. Upgrade digital systems to facilitate easier and more efficient application processes, making them more accessible for technology-driven startups.

## Eligible Costs

### General Recommendation:

Expand eligible costs and tailor support for startups and SMEs.

### Brainstorming:

1. Improve communication channels between FI providers and recipients to better align program allocations with prior interest and needs.

## Regional Limitation

### General Recommendation:

Relax geographic restrictions and introduce flexible eligibility criteria.

### Brainstorming:

1. Remove conditions that restrict aid to certain regions while maintaining subsidies for less developed areas.
2. Ensure that applicants from prosperous regions can still access resources necessary for growth.

## System Complexity

### General Recommendation:

Offer navigation services and create simplified guides and flowcharts.

### Brainstorming:

1. Establish centralized platforms or hubs to streamline access to various support services and resources.
2. Create one-stop shops where startups and SMEs can find information, guidance, and connections to support organizations, government programs, investors, mentors, and other stakeholders.



## Incorrectly Set Aid Amount

### General Recommendation:

Adjust aid amounts to better reflect the actual needs and costs of projects.

### Brainstorming:

1. Enhance communication between FI providers and recipients to better understand and set appropriate aid amounts based on actual project needs and costs.

## 7.5. Feedback from experts and stakeholders

The recommendations proposed below are based on multiple sources as reaction to the list of recommendations proposed within the previous chapter (7.4). Firstly, the authors have used available open sources, and secondly, the network of the FI4INN project partners, including associate partners. Above all, they draw on recommendations and feedback from national and local stakeholders of the FI4INN project. Their views have been aggregated to make them generally applicable across the Central European countries and the recommendations towards simplification of the financial instruments have subsequently been adapted.

### Level of awareness

In the chapter "Feedback from experts and stakeholders about level of awareness," it was recommended that an online tool for more effective communication should target intermediaries of Financial Institutions like regional innovation centres, rather than end-users such as startups and SMEs. This approach would act as a signpost to inform companies in the region with targeted offers. Participants also noted that the current system is highly fragmented and would benefit from some centralization. It is crucial to reach all relevant actors, not just existing startups, but also potential entrepreneurs. A network of contacts established in this way would function ideally, with subsidies being based on mutual trust and the dissemination of good practices among potential beneficiaries.

Additionally, feedback emphasized the importance of linguistic and communicative aspects. There is a need to simplify texts and the language used for accessing tools, translating the constraints of national and European regulations into straightforward instructions, avoiding "legal language" to facilitate easier understanding. Furthermore, it was suggested to organize financial education programs for young entrepreneurs to enhance their understanding of financial issues.

### Assessment

Experts and stakeholders highlighted several key points. They provided examples of regional support that use flexible tools for more efficient targeting of startups, emphasizing that growth is the primary objective. To support this growth, instruments must be dynamic and adaptable to the evolving needs of companies.

A well-structured Business Plan is identified as crucial for securing funding. However, it often lacks detailed information on business sustainability, loan repayment plans, and realistic risk analysis.

An interactive and negotiation-based approach was also recommended. This involves using interviews and discussions to gather necessary information for evaluations, thereby simplifying formal documents and application forms.



## Challenging criteria

In the chapter "Challenging Criteria," feedback from experts and stakeholders highlighted several key issues. The instruments designed for support often transfer criteria and bureaucracy from the beneficiary to the provider, which, while not simplifying the process, helps filter out many obstacles before they reach the beneficiary. However, the EU's legal framework frequently hinders effective support, prompting the creation of small support instruments that bypass European directives.

In the context of loans and guarantees, traditional banking products are deemed unsuitable for developing startups due to their reliance on historical data and inability to accommodate non-financial data. Consequently, there is a need for alternative risk investments. One proposed solution is a risk-sharing mechanism where the state provides the deposit and guarantees timely repayment of the bank loan.

Furthermore, stakeholders suggested adopting a portfolio management approach for funds and risk assessments. This method involves evaluating risk and creditworthiness on a portfolio basis rather than individually, thereby diversifying and mitigating risk, and leading to more inclusive fund management.

## Predictability

In the chapter "Predictability," experts and stakeholders recommended establishing a call system several years in advance, allowing beneficiaries to know well ahead of time when a call will be launched. Additionally, it was frequently suggested to simplify the input fact sheets for beneficiaries, making it easier for them to determine if a tool is suitable for their development.

The focus is not on simplifying the assessment process itself, which must comply with EU rules, but rather on providing a very straightforward presentation of the instrument, its eligible expenses, and its intended beneficiaries. This would enable applicants to determine their eligibility quickly and easily. In the second phase, applicants should receive support through regional networks of innovation centres.

Moreover, stakeholders and experts proposed an interactive approach, promoting engagement with key ecosystem players (such as incubators, accelerators, SME associations, and other actors directly connected to companies). This interaction would help design instruments that are tailored to the specific needs and contexts of the beneficiaries.





## 8. Conclusion

The FI4INN project has identified significant challenges in the current financing schemes for startups and SMEs in Central Europe. These challenges include low awareness of available financial instruments, complex and unpredictable application processes, stringent eligibility criteria, and high levels of bureaucracy. To address these issues, the project team has drafted recommendations for several key actions.

First, improving awareness is crucial. This can be achieved by developing comprehensive online resources and tools, organizing educational programs and workshops, and conducting targeted marketing and outreach campaigns. These efforts aim to inform startups and SMEs about the various financial options available to them and how to access these resources effectively.

Simplifying the assessment processes is another important step. This involves streamlining application forms, reducing the required documentation, and utilizing advanced IT technologies for faster processing. Additionally, customizing evaluation criteria to better reflect the potential of startups rather than relying solely on traditional metrics is essential. This approach will make the assessment process more transparent and less burdensome for applicants.

Addressing challenging criteria is also necessary. Revising lending criteria to include alternative data points such as projected cash flows and the entrepreneurial team's background, rather than heavily relying on historical financial performance, will make it easier for startups to qualify for funding. Implementing risk-sharing mechanisms, such as government-backed guarantees, can reduce the perceived risk for lenders. Furthermore, enhancing support from incubators and accelerators will provide mentorship and financial support tailored to startups' specific needs.

Enhancing predictability in the availability and terms of support instruments is crucial for building confidence among startups and SMEs. Providing clear guidelines and timelines for funding decisions, establishing regular feedback mechanisms, and offering long-term financial planning assistance are key steps in this direction. Creating continuous open calls with periodic evaluations can also help startups plan more effectively.

Additional support is recommended in the form of government policies that encourage venture capital and angel investments in startups and SMEs. This could include tax breaks, co-investment funds, or direct subsidies. Facilitating networking and partnership opportunities will also help startups secure funding and build crucial industry connections.

These recommendations are based on findings from surveys, focus groups, and best practice examples. The FI4INN project aims to refine these suggestions through continuous stakeholder feedback and practical applications, ensuring they are both relevant and effective. By addressing these key areas, the FI4INN project seeks to foster a more supportive and efficient financial ecosystem for startups and SMEs, thereby driving innovation and economic growth in Central Europe.



## 9. Sources

- <https://rasph.com/eic-accelerator-advisory-service/>
- [https://eic.ec.europa.eu/document/download/d801a0d8-492e-4510-9dd6-8d942756e7c7\\_en?filename=EIC-workprogramme-2024.pdf](https://eic.ec.europa.eu/document/download/d801a0d8-492e-4510-9dd6-8d942756e7c7_en?filename=EIC-workprogramme-2024.pdf)
- [https://eic.ec.europa.eu/news/largest-ever-funding-round-european-innovation-council-accelerator-99-innovative-companies-set-2021-12-16\\_en](https://eic.ec.europa.eu/news/largest-ever-funding-round-european-innovation-council-accelerator-99-innovative-companies-set-2021-12-16_en)
- [https://eic.ec.europa.eu/news/eic-accelerator-eu285-million-funding-deep-tech-startups-most-competitive-funding-round-2024-02-28\\_en](https://eic.ec.europa.eu/news/eic-accelerator-eu285-million-funding-deep-tech-startups-most-competitive-funding-round-2024-02-28_en)
- [https://eisma.ec.europa.eu/news/assessing-effectiveness-public-innovation-support-smes-europe-2021-04-28\\_en](https://eisma.ec.europa.eu/news/assessing-effectiveness-public-innovation-support-smes-europe-2021-04-28_en)
- <https://www.oecd-ilibrary.org/sites/a3891ad8-en/index.html?itemId=/content/component/a3891ad8-en>
- <https://www.enterprisesg.gov.sg/financial-support/market-readiness-assistance-grant>
- <https://www.enterprisesg.gov.sg/resources/all-faqs/market-readiness-assistance-grant>
- <https://www.corporateservices.com/singapore/singapore-market-readiness-assistance-grant/>
- <https://www.oecd-ilibrary.org/sites/5c0e189f-en/index.html?itemId=/content/component/5c0e189f-en>
- <https://www.mckinsey.com/industries/public-sector/our-insights/unlocking-growth-in-small-and-medium-size-enterprises>



## 10. Annexes

### Annex no. 1 - Short survey - List of questions

**1. PP/AP:**

Open answer:

**2. Name:**

Open Answer:

**3. Rank the importance of the following issues (problems/pains) regarding their effect on the support ecosystem. (1 - minor effect/less important issue; 5 - very strong effect/very important issue)**

	1	2	3	4	5
Complexity of support ecosystems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient level of awareness of SMEs and Startups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Challenging criteria	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Burden on cash flow	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
High level of bureaucracy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Demanding or unclear application process and project implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lengthy assessment and approval process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delays and poor predictability within the system of calls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incorrectly set aid amount	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Poor communication between providers and beneficiaries	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Broad/unclear definitions, especially evaluation of innovativeness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mismatch in demanded and eligible costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Limited availability of FIs in certain regions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technological Barriers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**4. Rank the following problems (pains) regarding difficulty to address in the context improvement efforts (How easy these issues can be improved?). (1 - easy to target and**



**address; 5 - almost impossible to target and address) In case of smaller screens, it is necessary to scroll right to see all options.**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Complexity of support ecosystems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient level of awareness of SMEs and Startups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Challenging criteria	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Burden on cash flow	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
High level of bureaucracy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Demanding or unclear application process and project implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lengthy assessment and approval process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delays and poor predictability within the system of calls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incorectly set aid amount	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Poor communication between providers and beneficiaries	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Broad/unclear definitions, especially evaluation of innovativeness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mismatch in demanded and eligible costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Limited availability of FIs in certain regions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technological Barriers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**5. How restrictive do you find rigidity of the system of support in your country? (1 - very flexible; 10 - highly rigid)**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
----------	----------	----------	----------	----------	----------	----------	----------	----------	-----------

**6. Can you think of any other significant gaps in the area of support instruments that have not been mentioned above?**

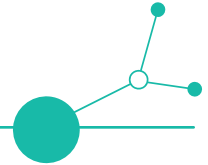
Open answer:

**7. Do you have an idea for an interesting/innovative solution to any of the problems mentioned above?**

Open answer

# Internal Focus Group - Framework and Instructions

## D.1.1.2 - Annex n. 2



Version 1  
3 2024





# FRAMEWORK OF THE INTERNAL FOCUS GROUP

Recommendations to simplify FIs access

## Basic overview

### Activity description and goal

Following the mini survey addressing the prioritisation of topics regarding the gaps in support instruments, this focus group aims to validate the selection of the main topics for follow-up work and to initiate a discussion on how to react to the most pressing aspects limiting the availability of support for startups and SMEs. The results of the discussion will be used as one of the inputs for development of recommendations for improvement, redesign, or creation of completely new support tools.

### Dates and time requirements

March 12, 2024

9:00-10:30

ONLINE

### Who should participate?

We kindly ask for participation of **at least one representative for each PP**. APs are also welcome. Please also invite your colleagues/experts within your organisation, who might share their experience within this topic.



## Agenda

**Internal focus group** - Estimated total duration: 90 minutes.

5 minutes	Welcoming & introduction
5-10 minutes	Presentation of the mini-survey results: Identification of the main pains
70 minutes	Moderated discussion focused on the needs of SMEs and startups in the field of innovation and their funding
5-10 minutes	Summary of the discussion & closing remarks



## Recommended topics for discussion

Following the short survey, the main issues have been indicated and will be discussed in detail within the focus group. This list of questions serves as a framework for the discussion.

### List of the top issues

We have indicated four hot topics (sorted by relevance according to the results of the mini survey):

1. **Level of awareness**
2. **Assessment**
3. **Challenging criteria**
4. **Predictability**

For discussion purposes, the main topics can be merged into two thematically linked groups.

**Level of awareness and Predictability**

**Challenging criteria and Assessment**

Do we agree that there are two main areas?

Should some of the following issues be also added to the shortlist?

Unclear definitions

Burden on cash flow

Communication

Bureaucracy

Application process

### I. Level of awareness and predictability

What are the key elements of effective communication between the different stakeholders regarding predictability and awareness of the system of support (and their role regarding the information dissemination) - support providers, consultants, applicants, beneficiaries...?

What are the bottlenecks causing lower level of awareness among startups and SMEs and lower predictability?

Why it is so and how to improve?

If the level of awareness and predictability is high in your country/region, how it was achieved? Can you share some tips/insights with the group?

Can you think about a best practice addressing some of the elements within this topic?





## II. Challenging criteria and Assessment

What are the main limitations regarding the criteria setting and subsequent evaluation (providers require deliverables that are demanding to meet (e.g. patent), unclear demands or too narrow definition of the criteria, formal criteria that exclude relevant applicants, insufficient maturity of companies, lengthy process of evaluation, minimum level of communication with the applicant at the time of evaluation, short time or inability to react to the evaluation etc.)?

Why it is so?

What can be done to improve accessibility from the perspective of criteria and assessment?

If the institutions are able to set the criteria properly and the assessment process is fast, systematic and clear in your country/region, how it was achieved? Can you share some tips/insights with the group?

Can you think about a best practice addressing some of the elements within this topic?

## IV. Recommendations (FG conclusion)

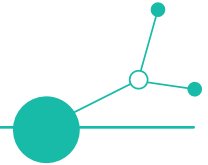
What are your main recommendations that the state should follow to simplify the current support system?

Do you have any key learnings for us? Best practice?

## INTERNAL FOCUS GROUP

Summary

D.1.1.2 - Annex n. 3



Version 1  
03 2024





# FOCUS GROUP MEETING

## When, how and where?

**When:** 12. 03. 2024

**Form:** ONLINE

**Where:** MS Teasm platform

**Durration:** 90 minutes

## Participants

The focus group in the Czech Republic was organized by CzechInvest cooperation with BUILD.

The focus group meeting was attended by 20 representant of project partners and one application partner. In terms of geographical coverage, the following countries were represented: Austria, Croatia, Czech Republic, Hungary, Italy, Poland and Slovenia (+ Belgium as communication officer).

The implementation of the focus group was carried out according to questions distributed to participants in advance.

### List of participants:

Organisation	Name
Martin Marek	CzechInvest
Tomáš Tázlar	CzechInvest
Petr Kopeček	CzechInvest
Egon Britzmann	BUILD
Jürgen Kopeinig	BUILD
Viktor Hegedüs	NIU
Zoltán Palotai	NIU
Patrycja Węgrzyn	ARRSA
Jan Sienkiewicz	ARRSA
Małgorzata Kwiatkowska	Urząd Marszałkowski Województwa Śląskiego (AP of ARRSA)
Elena Sandri	TEC4I.FVG
Claudia Baracchini	TEC4I.FVG
Nina Vrabelj	GZS
Katja Bučan	GZS



Petra Moreno	SERN
Luisa Marchionni	SERN
Enrica La Martina	FINPIEMONTE
Gianfranco Di Salvo	FINPIEMONTE
Goran Jeras	ZEF
Małgorzata Pęcherska	Urząd Marszałkowski Województwa Śląskiego (AP of ARRSA)

## Agenda

**Internal focus group - Duration: 90 minutes**

5 minutes	Welcoming & introduction
5-10 minutes	Presentation of the mini-survey results: Identification of the main pains
70 minutes	Moderated discussion focused on the needs of SMEs and startups in the field of innovation and their funding
5-10 minutes	Summary of the discussion & closing remarks

## Main conclusions

The main aim was to validate the selection of the main topics for follow-up work and to initiate a discussion on how to react to the most pressing aspects limiting the availability of support for startups and SMEs.

The following topics were selected (sorted by relevance according to the results of the mini survey):

1. **Level of awareness**
2. **Assessment**
3. **Challenging criteria**
4. **Predictability**

For discussion purposes, the main topics were merged into two thematically linked groups.

**Level of awareness and Predictability**

**Challenging criteria and Assessment**



## Introduction

In the introductory part, the results of the mini-survey were presented. One of the main outputs of the mini-survey is shown in the following figure:

Problem	Severity	Solution	Difference	Ranking 1	Ranking 2	Ranking avg.
Level of awareness	3,9	2,2	1,7	3	2	2,5
Assessment	3,9	2,5	1,3	3	5	4
Challenging criteria	3,9	2,5	1,3	3	5	4
Predictability	3,9	2,6	1,3	2	9	5,5
Unclear definitions	3,1	1,9	1,2	11	1	6
Burden on cash flow	3,9	2,7	1,2	3	10	6,5
Communication	3,5	2,5	1,0	9	4	6,5
Bureaucracy	4,3	3,1	1,2	1	12	6,5
Application process	3,6	2,5	1,1	8	5	6,5
Technological Barriers	2,4	2,3	0,1	14	3	8,5
Eligible costs	3,1	2,5	0,5	12	5	8,5
Regional limitation	3,7	3,2	0,5	7	13	10
System complexity	3,2	3,2	0,0	10	13	11,5
Incorectly set aid amount	3,0	2,7	0,3	13	11	12

Participants were asked if any of the other items should be added to the shortlist of main topics that will be primarily addressed.

There was no response or comment on this question.

## Level of awareness and Predictability

During the session on the topics of level of awareness and predictability, the following ideas were presented (participants also often described more general issues such as the functioning of the system or the specifics of the situation in their country):

- **Political cycle influences financial instruments:**
  - In case of 4-year cycle, first 2 years nothing happens, then in very short time for running support programs (the intention to show the work done before the elections) - short deadlines, pressure on companies to make applications quickly, accumulation of applications in a short period of time - interest exceeds financial allocation many times over.
  - Issue in multiple CEE countries
- Case of Hungary - In long term, there was a big development in the area of innovation support - In 10 years the money invested to the support have doubled. There is potential and hope for even bigger support in the future.



- **However, too much support on innovation - but not for other activities that companies really need**
- **Case of Slovenia - really predictable environment (perceived as very important point) - similar tender every year, agency/ies goes around the country and inform companies**
  - Problem: Too little seed capital for startups. 54 000 € maximum support in Slovenia - it was raised recently, but still - too small, investors are not interested too much. Few foreign investors in Slovenian startups - too small a country to interest major player to come to Slovenia.
  - Too small country - everyone knows each other and might generate problems in tenders
- **Case of Carinthia - Little capital, now so much money in the region**
  - Government has created public fund 12.5 million - for investment to startups in this region. Also present in other regions. Also except for startups attracts both investors and startups.
- **Not an easy situation of intermediate bodies managing funds**
  - **European regulations** on state aid are too strict and does not allow bodies to set up instruments that could be tailor-made to the needs of companies - **in important limitations**
  - A distinction should be made between SME and startups the form of aid (In addition, the different stages of maturity of startups - pre-seed, seed, scale-up, late stage etc. - should be taken into account) - It is a heterogeneous group of recipients.
  - Support of startups is complicated in this context - Innovation risks - Standard existing tools does not fit much with the needs of startups. Creation of more innovative instruments is wanted but difficult, because of the risk of unsuccess of startups.
- **Banks should be involved into the system** - banks are crucial in the ecosystem and are the most important promoters of support instruments.
  - Investments to innovation with bank loans should be improved and reflect also the needs of startups
- **Communication between the bodies (institutions, banks) should be also improved.**

## Challenging criteria and Assessment

Ideas:

- **It is difficult for many companies to apply for support instruments**
  - Demandingness to report expenses correctly
  - New companies are afraid to apply - that they will provide lots of internal document and they will not be granted
  - They need financial intermediate to cooperate with
  - Within the instruments for startups, it is often difficult to apply for - the problem is often in an insufficient business plan and the financial plan
  - **Startups should be supported in the financial education**



- part of the project support should be covered by an external institution (e.g. banks)
- **The criteria are binding by European regulations**
  - It has to be changed on the European level
  - In other countries (UK, India etc.) - they are “totally” free within setting up the financial instruments’ parameters and necessary criteria.
  - The challenge is to transform the rules by small steps.
- **In some countries very strict criteria for startups**
  - **Age of start-up**
    - e.g. Slovenia case - 1 year of age for startups - older but innovative startups cannot apply
    - Czechia case - 3 or max 5 years of age of startups - support instrument for early stage startups
    - In EU, support for startups usually up to 5 years (in some cases less, in some cases more - e.g. 7 for scale-ups/more mature startups)
    - It is up to the regional/national governments to set up the rules/criteria - should be changeable
  - **Size of start-up**
    - Another restriction - program for only small startups - excludes lots of innovative companies
  - **Conditions of instruments do not fit startups’ needs**
    - The institutions/support providers are pushed to create fixed schemes for eligible cost, but startups from various sectors are very different with specific needs regarding nature of expenses
- **Proper “start-up” definition is missing in law in many countries, also no accepted definition on European level**
  - In each state/ecosystem the interpretation of start-up definition can be different - it might cause misunderstandings
  - It’s better to have a clear definition
  - Long discussions and problems with feedback from bodies such ministries could be avoided
- **Idea of micro financial support for new companies combined with good support service** (already exists in some countries)
- **Leverage on the public support is important but also to consider private financing.**
- **Startups academies** could be functional.
- **Public institutions usually cannot support strictly the equity of the startups**
  - There is a gap in VC funding - idea of non-payable grant on the logic: “if VC will not give you money, you should not be given public money”
- **EU system of funding is different than in the US**



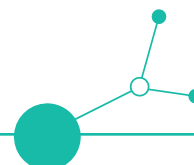
- Strategy in the US - 100 startups, 98 fails, 2 unicorns
- EU approach - Intention to have all successful startups - the public money cannot be given to every potentially promising project
  - **Europe is more conservative**
  - Not so developed start-up ecosystem
  - There are no borders within Europe regarding VC funding - EU limitations are important
- Italian/European venture capital wants **sure investments instead if finance risk**
- **Engagement and support of business angel investments should be improved** - academies, to make them parts of VC funds
  - Association of business angels might be a way - It is functional e.g. in Italy and some countries
- Reflection: Are there **enough support both on regional and national level** to enable innovative companies to grow (connection between national levels)?
  - It is important to create a systemised process - systematic support, link the support with the gaps, allow to grow
  - The problem is present often in earlier phases - start-up do not have money for further work
- The situation differs among particular of regions (e.g. case of Czechia) - Some local ecosystems are very functional, some should work on further improvements - importance of local stakeholders (universities, municipalities, companies etc.), their presence and engagement
  - Communication and smart ideas are also important
- Besides money, the focus should also be on **attracting talents**
- Some support is targeted only on local startups or with a subsidiary in the region
  - Carinthia case - there are applications also from other countries, but it is difficult to demonstrate concrete benefit to the region, but it has managed to attract several foreign companies thanks to a local support program.



# Recommendations to simplify FIs access

Draft for feedback

D.1.1.2 - Annex n. 4



Version 1  
5/2024





# RECOMMENDATIONS TO SIMPLIFY FINANCIAL INSTRUMENTS ACCESS

## Draft for feedback

Please give us feedback for the recommendations listed in this document and tips for research, reports or analyses focusing on the similar topic.

To give us the feedback, please use this link: <https://forms.office.com/e/9KsAu3dge7>

## Prioritisation of topics

Within the initial analysis, we have identified several issues representing gaps between the needs of startups and SMEs and the support currently offered by institutions of innovation ecosystems in Central Europe. In developing our strategic approach to problem-solving, we aimed to concentrate not on addressing every possible issue, but on tackling those challenges that promise significant impacts and present feasible solutions. This focus on prioritization stems from the desire to allocate resources efficiently and achieve meaningful outcomes swiftly.

Based on the above multi-source inputs that helped create the closed questionnaire and the voting that took place among the FI4INN project partners and associated partners of the project the subsequent hierarchy was created.

**Figure n. 1: Prioritisation of topics in terms of severity and targetability**

Problem	Severity	Targetability	Difference	Rank 1	Rank 2	Ranking avg.
Level of awareness	3,9	2,2	1,7	3	2	2,5
Assessment	3,9	2,5	1,3	3	5	4
Challenging criteria	3,9	2,5	1,3	3	5	4
Predictability	3,9	2,6	1,3	2	9	5,5
Unclear definitions	3,1	1,9	1,2	11	1	6
Burden on cash flow	3,9	2,7	1,2	3	10	6,5
Communication	3,5	2,5	1,0	9	4	6,5
Bureaucracy	4,3	3,1	1,2	1	12	6,5
Application process	3,6	2,5	1,1	8	5	6,5
Technological Barriers	2,4	2,3	0,1	14	3	8,5
Eligible costs	3,1	2,5	0,5	12	5	8,5
Regional limitation	3,7	3,2	0,5	7	13	10
System complexity	3,2	3,2	0,0	10	13	11,5
Incorrectly set aid amount	3,0	2,7	0,3	13	11	12



The problems were ranked according to their severity. If some problems had the same severity, then they were given the same ranking, and each subsequent problem was moved down by one or more rank numbers. For instance, if two problems with a value of 3.9 were ranked second, the next problem with a value of 3.8 was no longer ranked third, but fourth from severity point of view. The same process was carried out for the difficulty to reduce/eliminate problem.

The last step was to average the two ranking values. This created one value for which an inverse relationship holds that the lower the resulting value, the higher the priority for the project, because it meets two basic parameters: it is serious but on the other hand it is relatively easy to remove this obstacle.

As can be seen from the chart displayed above, the following issues emerged as the most promising from our assessment: Awareness, Assessment, Challenging criteria and Predictability.

With these findings, the authors proceeded to the second step, which was to verify these findings in an internal focus group format. Which on the one hand was to definitively confirm this hierarchy, which is important for further work, but also to serve as a primary collection of additional information that would help the authors to both discern why these problems are constantly occurring and also possibly direct them to steps that, if properly targeted, could eliminate these obstacles.

## Detailed description of priority issues

The four issues we've highlighted are crucial in understanding and improving support systems for startups and small to medium enterprises (SMEs). Here's a detailed description of each:

### 1. Level of Awareness

A primary concern is the level of awareness among startups and SMEs about available support instruments. Many businesses, especially newer and smaller ones, often aren't fully aware of the various grants, loans, mentoring programs, and other resources accessible to them. This lack of awareness can stem from inadequate outreach efforts by support agencies, complex information dissemination channels, or simply the overwhelming amount of information that needs to be navigated. Additionally, there may be a mismatch between the communication strategies of support programs and the actual informational needs or habits of target businesses. For example, important information could be buried in seldom-visited websites or conveyed in jargon-heavy language that alienates non-specialist entrepreneurs.

### 2. Assessment

The assessment process for determining eligibility and appropriateness of support for startups and SMEs is another significant barrier. This process often involves rigorous documentation, detailed business plans, and forecasts that young companies may struggle to provide accurately. The criteria used in assessments can sometimes be opaque or overly stringent, reflecting a risk-averse attitude that fails to accommodate the innovative but unpredictable nature of startups. Additionally, the time taken to process applications and make decisions can be prohibitively long, delaying the receipt of much-needed support.

### 3. Challenging Criteria

The criteria set by support programs can often be a critical stumbling block. These may include high minimum revenue thresholds, requirements for personal guarantees, or proven track records of profitability that nascent businesses simply cannot demonstrate. Such criteria can inadvertently favour established or larger SMEs over truly early-stage companies that might benefit most from the support. Furthermore, the criteria might not take into account sector-specific challenges, thereby disadvantaging startups in rapidly evolving industries like technology or biotech, where traditional business metrics might not apply.



#### 4. Predictability

Predictability in the availability and terms of support instruments is crucial for planning and confidence in business decision-making. Startups and SMEs often face uncertainty regarding whether support programs will continue over time, what changes might be made to their terms, and how these changes might affect their eligibility or the value of the support. This unpredictability can deter businesses from applying for support in the first place, as the effort and resources spent in securing assistance may be seen as risky if the support might be altered or withdrawn on short notice.

Each of these issues requires careful consideration and strategic action to enhance the efficacy and reach of support instruments for startups and SMEs, ensuring they can contribute robustly to economic growth.

## Recommendations

In order to respond to the identified priority topics (Level of awareness, Assessment, Challenging criteria, Predictability), the logical next step is to draft recommendations in the form of a list of action points to address these aspects. If these measures are applied during the design process and the implementation of the support instruments, they should help to eliminate the critical points/deficiencies in a more significant way. These recommendations are not only suitable for newly developed support schemes, but can also help to improve existing instruments.

An important parameter of the proposed principles is not only practicality, but also transferability and flexibility (hence a certain degree of generalisation). When appropriately implemented to local conditions, they should then contribute to simplifying the access of SMEs and startups to financial instruments to support innovation.

### Level of awareness

- **Rec. 1. Online Resources and Tools:** Develop in cooperation with regional/national stakeholders a comprehensive online portals and tools that provide easy access to information about financing options, eligibility requirements, and application processes. If a tool of this type works, present your relevant support instruments here and provide regular updates.
- **Rec. 2. Educational Programs and Workshops:** Organize educational programs and workshops for startups and SMEs to increase their awareness of available financial options (including loans, grants, venture capital, and other funding opportunities) and mutual overlap or continuity.
- **Rec. 3. Marketing and Outreach Campaigns:** Run targeted marketing and outreach campaigns (best on the level of financial institutions and government bodies) to better inform startups about their services and how to access them (including newsletter, social networks, contact person for questions and direct communication etc.).



## Assessment

- **Rec. 1. Simplified Application Processes:** Streamline application processes to make them less cumbersome and more transparent. This could include shorter forms, fewer required documents, and clearer guidelines. Plan the sequential steps of the evaluation so that they are ordered from the least demanding to more detailed evaluation documents (e.g. elevator pitch -> basic business plan -> detailed formal documents - not the other way around).
- **Rec. 2. Use of Technology in Assessments:** Increase the digitalisation of the process. Implement advanced IT technologies like automation, machine learning or AI to process applications more quickly and efficiently, which can help in better assessing a start-up's potential and risks.
- **Rec. 3. Customized Evaluation Criteria:** Develop more nuanced evaluation criteria that can account for the unique aspects of startups and SMEs, such as potential for growth and innovation rather than just traditional metrics like collateral or past profitability.

## Challenging criteria

- **Rec. 1. Flexible Lending Criteria:** Revise lending criteria to include alternative data points such as projected cash flows, the entrepreneurial team's background, and market potential instead of heavily relying on historical financial performance.
- **Rec. 2. Risk-sharing Mechanisms:** Encourage the use of risk-sharing mechanisms, such as loan guarantees by government or larger corporations, to reduce the perceived risk for lenders.
- **Rec. 3. Support from Incubators and Accelerators:** Enhance collaborations between financial institutions and business incubators or accelerators to provide mentorship and financial support tailored to startups' specific needs, which can support preparation for entry into more demanding support programmes.
- **Rec. 4. Staging/phasing/levelling of support:** Divide the form of support into multiple stages/phases/levels (Different types of companies and startups -> different composition of forms of support, different amounts of money, different requirements)

## Predictability

- **Rec. 1. Clear Guidelines on Funding Allocation:** Offer clear, consistent guidelines and timelines on how and when funding decisions are made to provide startups with a predictable framework and timeline. Coordinate the timetable with other institutions offering support to companies or apply continuous call for applications.



- **Rec. 2. Regular Feedback Mechanisms:** Establish mechanisms where startups can receive regular feedback on their progress in the funding cycle, including areas for improvement if they are unsuccessful in securing funding initially.
- **Rec. 3. Long-term Financial Planning Assistance:** Provide tools and advisory services to help startups and SMEs plan their financial future, including scenario planning and financial forecasting.
- **Rec. 4. Long term open call:** Create a support scheme with a continuous open call (for the whole year) with periodic evaluation of the projects (e. g. every 3 months).
- **Rec. 5. Criteria and condition are stable and announced early:** Publish the terms of the support instrument well in advance and try to maintain continuity without frequent changes in the conditions. However, in case of a fundamental mismatch between the needs of applicants and the support offered, do not hesitate to adjust the terms, but be sure to communicate the changes in a prompt manner.

These recommendations are aimed at creating a more supportive ecosystem for startups and SMEs, enabling them to thrive and contribute significantly to economic growth.