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SmartFI -

Smart methods to improve the performance of financial instruments for SMEs

Design Options Paper

The purpose of the SmartFI project is to promote the sharing of good practices for the construction of better financial instruments from the users' perspective. The main objective of the project is to improve the efficiency and minimize the risk of financial instruments for innovation for SMEs through the integration of designing thinking skills and processes into the design and management of the financial instruments in order to become user friendly. The project ends up with a full guide that helps funding agencies/innovation agencies and managing authorities to improve the performance using design thinking.

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KEPA BUSINESS & CULTURAL DEVELOPMENT CENTRE

ANI AGÊNCIA NACIONAL DE INOVAÇÃO

Co-funded by the Horizon 2020 of the European Union

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DESIGN OPTIONS PAPER

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Authors

Angeliki Barakli
Poppy Oikonomou
Nikos Rovatsos
Dimitra Kyriakopoulou

Business and Cultural Development Centre,
Greece

Jan Sienkiewicz
Patrycja Węgrzyn

Agencja Rozwoju Regionalnego SA,
Poland

Alexandre Almeida
Ana Margarida Lopes

ANI - National Innovation Agency,
Portugal

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1. DISCLAIMER

The content of this document and the views expressed in this report are of the sole responsibility of the authors and the SmartFI project team. Under no circumstances can they be perceived as reflecting the position of the European Union or of the Programme's management structures and in no way hold responsible the involved organisations.

2. ACKNOWLEDGEMENT

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A special acknowledgment goes to the participants of the Pilot Action that was set up based on the draft Design Option Paper and offered in Greece, Poland and Portugal who provided us with their priceless feedback on the Pilot and the project in general.

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3. EXECUTIVE SUMMARY

The SmartFI project promotes the sharing of good practices for the construction of better financial instruments from the users' perspective. The main objective of the project is to improve the efficiency and minimize the risk of financial instruments for innovation for SMEs through the integration of design thinking skills and processes into the design and management of the financial instruments in order to become user friendly. Given that all partners design and implement financial instruments for SMEs, SmartFI project aims to help the partners overcome a common challenge: to increase the satisfaction of the SMEs participating in financial instruments and the number of the participating SMEs.

SmartFI will use the experience and the skills of three partners to identify how User Centered design tools and process can be used by innovation agencies, in order to design and provide user friendly financial instruments to SMEs. The outcome is a Design Option Paper, a full guide that helps funding agencies/innovation agencies and managing authorities to improve the performance using design thinking.
The "Design Option Paper" is a toolbox/guide that helps innovation agencies and funding agencies to:

- Minimize investment risks of the financial instruments by developing a method that can be used during the investment decision phase of all financial products
- Create user friendly financial instruments by using the tool Financial Instrument Blueprint that will be developed
- Understand what are the needs of their target groups (SMEs) by using "Persona tool"
- Map SMEs journey when participating in a Financial Instrument by using the "Business Journey Tool"
- Identify the level of SMEs satisfaction per type and stage of a financial instrument
- Find the gaps/ issues and improve the process/ structure of the Financial Instruments
- Learn to test the new financial instrument before the full launch in the market by using "Prototyping Methods"

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4. CONTACT INFORMATION

Mrs Poppy Oikonomou – Project Coordinator

Business and Cultural Development Centre - KEPA

Leda-Maria Block, Hermes building

57001 Thermi, Thessaloniki

GREECE

Phone: +30 2310480000

e-mail: oikonomoup@e-kepa.gr

Mrs Patrycja Węgrzyn

Agencja Rozwoju Regionalnego SA,

ULICA CIESZYNSKA 365

43 382, BIELSKO BIALA

Poland

E-mail: pwegrzyn@arrsa.pl

Mr Alexandre Almeida

National Innovation Agency,

RUA DE SAGRES 11,

4150 649 PORTO

Portugal

E-mail: alexandre.almeida@ani.pt

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GLOSSARY OF TERMS

TERM	USED IN DOP AS:
ANI	National Innovation Agency, Portugal
ARR	Agencja Rozwoju Regionalnego SA, Poland
BAs	Business Angels
BAT	Beskid Technology Accelerator, Poland
BFPK	Bielski Capital Projects Fund, Poland
DOP	Design Options Paper – A guidebook which aims to serve other organisations/agencies by helping them design, develop and deliver better services
EIF	European Investment Fund
ERDF	European Regional Development Fund
ESIF	European Structural and Investment funds
ETEAN	National Fund for Entrepreneurship and development
FI	Financial Instrument
FFRU	Financial instruments for urban development
HDC	Hellenic Design Centre
HMW	"How might We" question
IFD	Financial Institution for Development, Poland
IP	Intellectual property (IP) status of business projects
IPO	Initial Public Offering
IRR	Internal Rate of Return
KEPA	Business and Cultural Development Centre, Greece

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KPI	Key Performance Indicator: A performance indicator or key performance indicator (KPI) is a type of performance measurement. KPIs evaluate the success of an organization or a particular activity (such as projects, programs, products and other initiatives) in which it engages.
MoU	Memorandum of Understanding
MVP	Minimum Viable Product
NCBR	National Centre for Research and Development, Poland
NPV	Net Present Value
NSRF	National Strategic Reference Framework
PARP	Polish Agency for Enterprise Development
ROP/ OP	Regional Operational Program/ Operational Program
SAFPRI	System of Support for Financing and Risk, Portugal
SMEs	Small and Medium-sized Enterprises
TT	Technology Transfer
VC	Venture Capitals
3Fs	**Friends, Family and Fools:** One out of three funding phases of a Startup. Friends and family members may want to support a business venture by lending or gifting funds to the Startup. In some cases, friends or family may want to invest or purchase an ownership interest in the business venture. This is the most basic form of crowdfunding. A Startup collects funds from a larger group of people, who have a vested interest in the Startup's success. Each year, 35-40% of startup ventures receive capital from friends and family. This group is commonly called friends, family, and fools. The reason fools are grouped into this category relates to the risk associated with lending or investing in a seed venture.

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5. GENERAL INTRODUCTION TO THE DESIGN OPTIONS PAPER

5.1 Background of the Design Options Paper

Financial instruments in the form of loans, guarantees and equity have long been important economic development policy measures in many countries. The European Commission has increasingly emphasized the role that financial instruments can play in the delivery of SMEs support. The governance of financial instruments is very much context-driven: co-financed funds can be operated within holding funds, or "funds of funds", or as specific funds out with a fund of funds. Often the European Investment Bank plays a significant role in holding fund management. In some countries, the implementation of co-financed instruments relies heavily on existing institutions – especially promotional banks – providing an additional block of funding to supplement domestic sources. In others, holding funds and/or specific funds maybe be procured and/or established as separate legal entities. But in all cases, managing authorities and innovation agencies are involved in the design, managing and implementation of the financial instruments. SmartFI aims to support these organizations by creating a guide on how to improve the performance, minimize risk but also increase the SMEs satisfaction. Intermediary organizations offering support services on Innovation to SMEs are also relevant actors in this process· they can help policy makers in the development of financial instruments, they can support SMEs to become more innovative and also assist their access to funding instruments.

In its assembly of March 2000, the European Council acknowledged the need of increasing the expenditure in innovation by implementing better policies and making better use of public funds. To achieve this, the EC has put great emphasis on increasing the use of financial instruments (FIs) as a delivery tool for the Cohesion Policy. Besides the obvious advantages of recycling funds over the long term, financial instruments help to mobilise additional public or private co-investments to address market failures. Moreover, FIs (Guarantees, Business Angels, Venture Capital, Crowdfunding, Crowdlending) have also proved to be a useful tool in helping innovative SMEs overcome the 'valleys of death' and reach a sustainable growth phase to become 'stock exchange listed' companies. Under SmartFI, partners sought to improve the design and implementation of Financial Instruments as a delivery mode of Structural Funds by the use of Design, so that they best meet and serve the financing needs of innovative and RTDI-driven businesses in all the stages of their growth, from starting-up to upscaling.

Recognizing that Financial Instruments are public services for SMEs (designed and offered by Innovation and Funding Agencies), design approaches can help the Innovation Agencies offer better and user-friendlier financial instruments and increase the impact of the funds as well as the satisfaction of the SMEs.

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SmartFI concluded with this Handbook (Design Options Paper) on how to design or redesign User Friendly Financial Instruments using Service Design Methods and Tools. **This Design Options Paper (DOP)** serves to explain how design is defined and used when Designing and Implementing Financial Instruments for SMEs as well as to provide practical tools and examples of Financial Instruments Design.

The current DOP is the result of a peer-review process conducted by the three regional/national innovation agencies/organisations participating in SmartFi project (KEPA - Greece, ARR - Poland, ANI – Poland). It is the **final handbook of methodology followed** during SmartFI project.

The methodology followed by SmartFI is a combination of Twinning+ Methodology and Design Thinking Methodology.

> *Twinning+ Methodology is an extension of the original partnership twinning method. It is not limited to transferring good practices among agencies, but it provides opportunity to the design and implementation of better practices. "The basic idea of Twinning Advanced is to have innovation support organisations collaboratively address a common innovation support challenge. By using their collective experience and knowledge, the idea is to develop and test an approach to address the support challenge in a new and better way. The result of the effort is documented in a Design Options Paper that identifies and documents the implementation options, guidelines and implementation alternatives that the partners in the challenge have experienced[1]".*

> *Design Thinking Methodology is a step ahead Twinning + Methodology. It offers specific steps and tools to actually design a service that will serve the end user needs. It is "a holistic and multidisciplinary problem-solving approach which takes user's needs, aspirations and abilities as its starting point and focus" (definition found in the Commission Staff Working Document). This user-centred approach is a strategic tool for innovation, because it focuses on making products, services and systems better correspond to people, environmental and social needs, exploiting the potentiality of the participation of end users in new product development processes. During the last years, the traditional approach of investigating the needs of end consumers evolved towards the practices of co-creation and co-design, meant to engage a range of actors and stakeholders in innovation.*

Twinning+ methodology was applied through Peer Learning activities which served to learn from the best and to exchange good and bad practices regarding the performance of financial instruments for SMEs. The three Regions set up the "Peer Learning Group" in order to strengthen their competences in designing and implementing financial instruments that support SMEs' Innovation.

[1] https://ec.europa.eu/easme/sites/easme-site/files/Paper-Twinning-advanced-methodology.pdf

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Two peer learning workshops were organized, the first in December 2019 and the second in February 2020.

The first Peer Learning workshop was held at the premises of the National Innovation Agency of Portugal, in Porto, and was a 3-days workshop aiming at exchanging know-how between the partners on the use of Design services in the formation of financial tools, so that the latter are friendly to the end user, i.e. businesses.

The Peer Learning Group described the characteristics of Financial Instruments market in each country and presented a series of services, programs and projects related to Financial Instruments, putting emphasis on the processes by which companies acquire access to relevant funding sources (from the application to the final selection stage).

In addition, participants had the opportunity to use the Design Thinking Methodology in practice, implementing its tools, in order to identify all the main points of difficulty (pain points) that an SME may find when accessing a financial tool.

The second Peer Learning workshop took place in Krakow, Poland. It was attended by representatives of the Polish innovation ecosystem and Polish financial instruments. Good practices, initiatives, projects and the environment of financial instruments from Greece, Portugal and Poland were presented by the partners and also by guests. Fruitful discussion followed and common conclusions were reached on next steps.

After Peer Learning, SmartFI analysed case studies and used **Design Thinking Methodology** to implement pilot activities in all three Regions. SmartFI revealed the unseen needs, expectations and habits of SMEs in order to support innovation agencies to design financial instruments that fit into SMEs needs, by engaging them into the creation process and the evaluation of the financial instruments through the Pilot Actions. User-centred design process and tools were used by the partners in order to identify the level of SMEs satisfaction from the instruments, the realistic measures for improvement, as well as the effectiveness of the investment processes in order to minimize the risks. The tools that were used for the pilot process aimed to gather insights directly from the SMEs and evaluate the current level of their satisfaction. These insights were used to design better and friendlier Financial Instruments for SME and more effective use of public and EU funds.

By using partners' collective experience and knowledge, SmartFI succeeded in developing and testing an approach to address the support challenge in a new and better way. The result of the effort is documented in this Design Option Paper which serves as a "guide" or a "handbook" to other organizations that design and/ or implement financial instruments for SMEs.

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5.2 Overview of the Financial Instruments for SMEs

Financial instruments (FIs) co-funded by the European Structural Investment Funds (ESIF) are a sustainable and efficient way to invest in growth and development in EU regions and cities. FIs often involve multi-layer structures with the aim to create incentives for economic operators (investors) to provide finance to final recipients.

They can support a broad range of development objectives to the benefit of a wide range of final recipients with the potential for EU funds to lever additional public and private contributions and/or to be reused for further investments.

Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk sharing instruments, and may, where appropriate, be combined with grants.

LOAN

"*Agreement which obliges the lender to make available to the borrower an agreed sum of money for an agreed period of time and under which the borrower is obliged to repay that amount within the agreed time*[2]".

Under a FI, a loan can help where banks are unwilling to lend on terms acceptable to the borrower. They can offer lower interest rates, longer repayment periods or have lower collateral requirements. Co-investment may come from the same FIs or a third-party investor, contributing either to the fund or to individual projects.

The involvement of ESI Funds results in loans that are offered at a lower than market interest rates, with longer repayment periods, the possibility of grace periods, when loans do not need to be repaid in the first years or with reduced collateral requirements; these are called soft loans.

In general, for commercial loans, the interest charged on the loan is the market rate plus a risk premium that reflects the likelihood of a lender getting their money back. The risk premium includes credit risk which varies with the borrower's credit history and expected cash flow.

One way to decrease the risk premium is through collateral, where the borrower offers assets such as property, receivables, or investments as security which become the property of the lender if the borrower defaults (does not repay the loan). Risk completely ceases only on the date the loan is fully repaid, the maturity date. Therefore, the later the maturity date, the higher the risk premium. Individual repayments must cover the interest due, but the sooner the principal of the loan is repaid, the lower the total payments will be.

[2] European Commission (2015). Guidance for Member States on FIs – Glossary.

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GUARANTEE

"*Written commitment to assume responsibility for all or part of a third party's debt or obligation or for the successful performance by that third party of its obligations if an event occurs which triggers such guarantee, such as a loan default*[3]".

Guarantees normally cover financial operations such as loans. ESIF programme resources could also be used for counter-guarantees for a commercial guarantor who guarantees the loans given to final recipients by a commercial lender.

Key elements in defining a guarantee instrument are:

Portfolio volume: the aggregate amount of the underlying transaction, such as loans to be disbursed by the lender which are covered by the guarantee.

Guarantee Rate: the maximum portion of the value of each loan covered by the guarantee.

Guarantee Cap Rate: the maximum portion of the total portfolio covered by the guarantee. In other words, the guarantee will cover losses at the guarantee rate up to the maximum determined by the guarantee cap rate applied to the total portfolio.

Capped amount: the maximum liability under the capped guarantee. It is calculated as the product of the i) total portfolio volume, ii) the guarantee rate and (iii) the guarantee cap rate. In other words, the capped guarantee will cover losses at the guarantee rate up to the maximum determined by the guarantee cap rate applied to the total portfolio volume. This amount, plus expected management costs and fees related to the instrument, will be set aside from the Operational Programme resources.

EQUITY

"*Provision of capital to a firm, invested directly or indirectly in return for total or partial ownership of that firm and where the equity investor may assume some management control of the firm and may share the firm's profits*[4]".

The financial return depends on the growth and profitability of the business. It is earned through dividends and on the sale of the shares to another investor ('exit'), or through an initial public offering (IPO).

In equity investments the exit means the liquidation of holdings including a trade sale, sale by public offering (including IPO), write-off, repayment of preference shares or loans, sale to another venture capitalist or sale to a financial institution. There is full insolvency risk for the invested capital in the target companies. Thus, a high risk is borne by the FI. However, this can be mitigated by portfolio investing and by having private sector co-investors.

[3] European Commission (2015). Guidance for Member States on FIs – Glossary.

[4] European Commission (2015). Guidance for Member States on FIs – Glossary.

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QUASI-EQUITY

"*A type of financing that ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity. Quasi-equity investments can be structured as debt, typically unsecured and subordinated and in some cases convertible into equity, or as preferred equity*[5]".

The risk-return profile typically falls between debt and equity in a company's capital structure. Some types of quasi-equity instruments are subordinated loans, convertible bonds and preferred stocks.

Subordinated loans have a lower repayment priority than normal (senior) loans. In the event of default, all other lenders are repaid before the holders of subordinated loans. Since the interest payments as well as the capital repayments are subordinated, the risk of loss in the event of default is substantially higher than for senior loans. In addition, generally, there is no collateral (security) required so interest rates are higher to cover the higher risks.

Convertible bonds are debt where the initial investment is structured as a debt claim, earning interest. At the discretion of the investor, the debt can be converted into equity at a predetermined conversion rate. A convertible bond is essentially a bond combined with a share option where the holder may exchange the bond for a predetermined number of shares at a predetermined price. Because convertibles can be changed into shares, they have lower interest rates.

Preferred stocks are stocks that entitle the holder to a fixed-rate dividend, paid before any dividend is distributed to holders of ordinary shares. Holders of preferred stock also rank higher than ordinary shareholders in receiving proceeds from the liquidation of assets if a company is wound up.

The different forms of quasi-equity (also known as mezzanine capital or mezzanine finance) are classified as closer to equity or debt capital according to the level of ownership acquired and the exposure to loss in the event of insolvency. The risk profile will also change with the duration of capital commitment and the remuneration conditions.

[5] European Commission (2015). Guidance for Member States on FIs – Glossary.

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5.3 Structure of the paper

This Design Options Paper is the final deliverable of SmartFI project and it serves as a "guide" or a "handbook" to other organizations that design and/ or implement financial instruments for SMEs.

It is structured in four main parts:

- The first part presents information about the project, its partners and the general framework of the methodology to solve a chosen challenge.
- The second part describes case studies evaluated and peer-reviewed.
- In the third part, a suggested methodology to address a challenge related to Financial instruments is analysed.
- The fourth part provides a detailed view of the pilot actions implemented in each of the three partner areas, in order to test in practice, the suggested methodology.

This DOP ends with some conclusions and interpretation of results, followed by the list of sources, images and useful links. The Annex contains the templates of the tools that can be used in developing/implementing Design Thinking process.

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5.4 Project partners

Business and Cultural Development Centre (KEPA) is an Intermediate Managing Authority of funding programmes for SMEs, acting on behalf of Greek Ministry of Competitiveness and Development (since 1993). It is a non – profit organization, formed in March 1991 by the Federation of Industries of Northern Greece (FING) and Greek International Business Association (SEVE).

KEPA is the consortium coordinator because of its strong experience both in coordinating EU funded projects (EISS, TourismID, etc.) along with being a significant partner in design-promotion projects (SEE Platform, Design for Europe) and projects that promoted user centred design a tool for Government Services and Polices (Design for Innovation, Design Shots).

In the last 21 years, KEPA has successfully managed 72 programmes for the implementation of 16.416 projects with a total budget of €2,092 billion. KEPA has a wide knowledge of designing, managing and delivering programmes that face the real needs of SMEs. Moreover, being founded by the two largest SMEs representatives of Macedonia and maintaining a very active and durable cooperation with the Chambers of Commerce and Industry of the Region, KEPA has an outstanding knowledge of the market's needs and behaviour.

Regional Development Agency in Bielsko-Biała in Poland (ARRSA) is a business support organization, providing supportive mechanisms for regional entrepreneurs and all relevant stakeholders of the ecosystem of innovation. The aim of the institution is comprehensive aid for small and medium enterprises in the framework of the National Service System for SME as well as for local government authorities, including professional counselling in the range of technical, organizational, economic, financial, legal and marketing issues and organization of trainings and seminars.

ARRSA, has been participating in many national and EU projects concerning transfer of innovation technology in entrepreneurship. It bears great experience in managing investments on the base of financial instruments using seed capital and crowdfunding.

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A key project that ARRSA is implementing is called Technobit Ventur: initiating business activity among entrepreneurs, identifying new business ideas and providing technical support for their development under the strategic, organizational and financial point of view.

ARRSA itself is also experienced in the field of providing seed capital fund – Beskid Technology Accelerator – where it can offer funding in the form of equity as well as mentoring and business analysis for the originators of innovative ideas.

The National Innovation Agency is an intermediary public body supervised by the Portuguese Ministry of Economy and Science with the aim of supporting the development and innovation in companies as well as supporting the transfer and valorization of knowledge.

ANI pursues a wide range of activities. It enhances collaborative innovation, leverages knowledge transfer to companies, increases the participation of the National S&T System and of national companies in the Research & Innovation international networks, strengthens business investment in R&I and fosters a social environment which favours technological entrepreneurship.

ANI is responsible for developing and implementing the S3 and it is the principal advisor of the Ministry of Economy in Portugal in terms of innovation policy design and implementation. ANI has an in-depth knowledge on the innovation system and produces regular assessments for the government. It has designed the new tax incentive scheme and also runs it, being also in charge of the INTERFACE Program which supports all types of interface units such as Technology centres, incubators, Science Parks and firm-academia collaborative labs.

ANI is leading the setting up of a public procurement (PP) agenda and is responsible for the evaluation and support to firm-led R&D projects on behalf of COMPETE2020 and also the Regional Operational Programs (through delegation of Competencies which qualifies ANI as an intermediary body). ANI has competences on the design and implementation of Financial Instruments to support highly innovative projects and is presenting a project on pre-commercial PP (OT1), a specific complimentary instrument to FIs.

6. CASE STUDIES EXAMINED

To better scan the financial instruments environment that SMEs face, SmartFI evaluated good practices related to FIs. More specifically, each one of the partners collected and evaluated three case studies deriving from its region or country.

All nine case studies were registered by the partners following a common template and brought in SmartFI project significant information on who local involved actors are, what is the geographical coverage of the initiative, who is funding the initiative, when did the initiative start and what kind of support is offered to SMEs.

6.1 microSTARS

Brief description

microSTARS is an initiative, launched by KEPA in 2017, with the aim to provide microloans along with Business Development Services, to small and micro enterprises. The vision of microSTARS is to become a sustainable microcredit provider, offering to beneficiaries, financial and other business-related services to support their sustainable development and socio-economic integration.

More specifically, microSTARS contributes to the development of small and micro enterprises, offering the following services / activities:

- Granting **microloans**
- Providing **counseling** support
- Conducting **workshops**

Points of particular interest to the target audience

While setting up microSTARS initiative, a Task force with KEPA's staff deriving from different departments was formed, which went through a series of different activities (Focus groups with target groups to assess their needs; Training by external experts; Co-creation workshop to design the whole process; Mystery safari; External evaluation by international organisations ('microfinanza') with the use of the programme/process 'institutional diagnosis'; Technical assistance from JASMINE project) before coming up with the final new service, at a period that no legislation, related to microfinance, existed in Greece.

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Duration of initiative

The initiative has started in 2017 and it is still running

Leading partner /organisation of the initiative

microSTARS initiative is developed by Business and Cultural Development Centre (KEPA)

Other partners involved

Until today, Microstars has cooperated with:

- ✓ The Co-operative Bank of Karditsa (Karditsa, Region of Thessaly).
- ✓ The Pancretan Co-operative Bank (Crete, Region of Crete).

Global Organizations:

- Microfinance Centre (MFC)
- European Microfinance Network (EMN)

The abovementioned organizations refer to social finance networks that promote fairness, inclusion, equality and responsible service, having united financial and fintech oriented organizations (including MFIs) across 36 countries of Europe, Central Asia and beyond, who together deliver responsible microfinance services to almost 2,000,000 low-income clients.

Funding of the initiative

Initially, there was the possibility of granting microloans to existing small and very small enterprises (annual turnover up to € 2 million), and startups (minimum operating 6 months). The micro-loans are granted in cooperation with the Cooperative Bank of Karditsa, as KEPA's initial banking partner, and from the beginning of 2017 with the Pancretan Cooperative Bank, as well.

The microloans aimed at financial aid in the form of interest-bearing forms, amounting from 1,000 to 25,000 Euros, with a repayment period of up to 5 years. Beneficiaries are companies that are active in the Prefectures of the Region of Central Macedonia, are insurance and tax informed and do not show a burdensome history as shown in the archives of "TEIRESIAS SA".

Lending ratings and decisions are based not only on the financial data provided, but also on the quality characteristics of the borrower such as character, skills, personal commitment, integrity and experience. These elements are evaluated in perfect combination with the business idea and a realistic plan for how the borrower will use the microloan . The aim is to create sufficient cash inflows so that the borrower can repay the loan without any delays.

The interest rate ranges between 6-8%, no collateral is needed but a guarantor is required.

Microloans - Indicative Eligible Expenditures:

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- Purchase of equipment and machinery (new and used)
- Purchase of a commercial vehicle
- Purchase of software / hardware
- Purchase of raw materials and / or goods
- Small building interventions
- Other expenses (e.g. promotion, rent, salaries, etc.)

Budget

Up to now, there has been a great interest from the companies situated in the region of Northern Greece, while an amount of ~ 500.000€ was released in microloans to more than 30 companies.

Geographic focus

The geographic focus of the initiative is the whole Region of Central Macedonia.

Detailed information of the initiative

As part of its effort to further strengthen small and micro enterprises with its services, KEPA began to investigate during 2012, the possibility of creating a Microfinance scheme in the region of Central Macedonia. In this direction, KEPA implemented in 2015-2016 the microSTARS project, which concerned the provision of Micro-loans and Business Development Services to Small and Very Small Enterprises (existing and new ones), through the creation of two Business Development Services Centers, in Thessaloniki and Kilkis. In addition, since May 2017, microSTARS has launched the first online micro-loan application platform (www.microstars.gr). The aim of microSTARS project was to support very small (up to 10 people) and small (up to 50 people) companies based in the region of Central Macedonia and to facilitate the establishment and development of new businesses - startups, in the direction of increasing productivity, profitability and their competitiveness.

KEPA believes that the provision of microloans should always be accompanied by business development services (BDS). Granting one loan - without adequate business support from the provider itself - does not meet the needs of a small or medium-sized entrepreneur or unemployed person trying to start their own business. Providing a microloan and business development services at the same time is a very important success factor.

For this purpose, microSTARS along with microloans offers:

- Consulting support for small and very small businesses, unemployed or young people who want to start their own business
- Thematic workshops in order to exchange ideas and content of special interest, business related information, networking etc.
- Free access to the microSTARS e-Learning platform

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What makes the initiative user- friendly

1) A micro-loan is by default an excellent option for a micro/SME or even a startup, which wishes either to make its first steps or to cover certain low-cost expenses.
2) The online platform provides:
   - ✓ simplified, automated, user-friendly, 24-hour accessible process,
   - ✓ reliable assessment of the applications,
   - ✓ time and cost saving,
   - ✓ possibility to insert "fintech" apps.
3) microSTARS offers post-grant services, namely counselling and training as well as annual visits to the companies, who declare highly satisfied by the service.

Contact details

First name & Surname: Mr.Neoklis Stamkos
Organisation: KEPA
Job title: Project Manager
Telephone: +30 697 222 0969
Email: stamkosn@e-kepa.gr

6.2 Guarantee Action of Entrepreneurship Fund (TEPIX)

Brief description

The main scope of the Action was i)to promote entrepreneurship, ii)to facilitate business access to finance and iii)to boost investment during the Greek economic crisis period. In order to achieve the aforementioned, two Fund categories (Fund Units) were established, which – in collaboration with the financial institutions that expressed their interest to participate in the action – provided funding for investment projects of the Greek SME's as well as loan guarantees according to ROPs' overall growth strategy. The guarantees were provided on a loan-to-loan basis, for financing activities for enterprise expansion, business development as well as the business establishment and start-up. The business plans could also be supported by other actions under NSRF / Investment Law grant actions. The action overreached the qualitative and quantitative targets of the regional strategic planning under the 2007-2013 programming period. The main results of the action could be summarised as follows:

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

- 1.206 guaranteed loans, in a total of 7.917 loans with favourable terms were introduced.
- EUR 813.000.000 funds (private and public) introduced in the Greek market.

Points of particular interest to the target audience

The 'Guarantee Action' of Entrepreneurship Fund (TEPIX) was one of the most important Financial instruments supporting the Greek SMEs especially during the difficult socio-economic circumstances of 2010 improving their access to finance. Its main target was to contribute to the loan providing of financially sustainable micro, small and medium businesses that needed to cover expenses of their establishment, further growth/development-oriented investment projects as well as their liquidity needs. Additionally, the action supported SMEs to introduce more innovative products, procedures and services, to become more extrovert and to enhance their competitiveness.

Duration of initiative

The initiative started on 12th March 2012 and ended on 31st January 2017

Leading partner /organisation of the initiative

National Entrepreneurship and Development Fund (ETEAN) SA

Other partners involved

- The European Regional Development Fund
- The Ministry of Development, Competitiveness and Shipping,
- The Managing Authority of the Operational Programme for Competitiveness, and Entrepreneurship,
- The Hellenic Fund for Entrepreneurship and Development SA, - ETEAN SA (transformed in 2019 into the Hellenic Development Bank- HDB),
- Financial Institutions and
- SMEs.

Funding of the initiative

Entrepreneurship Fund (TEPIX) was established as a Holding Fund, having the capability to invest in more than one financial instrument. Under its operation, two main Fund categories (Specific Fund Units) were established: a Loan Fund and a Guarantee Fund. These two financial instruments contributed to loans and loan guarantees until 31/1/2017.

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The collaborating financial institutions used their own resources to provide loans that were guaranteed by the Entrepreneurship Fund (TEPIX) in the form of "repayable" guarantees as well as risk-sharing loans. The management of the Entrepreneurship Fund (TEPIX) was implemented by the National Entrepreneurship and Development Fund (ETEAN) SA. The Financial Intermediaries collaborating in TEPIX included all the major Hellenic commercial banks as well as co-operative banks, which responded to the open calls and fulfilled the respective criteria.

Budget

EUR 121,9 million of loans from private resources (banks) were covered by EUR 85,7 million of guarantees. The committed guarantee capital of EUR 38,9 million was provided from OP and ROPs resources. The action provided for a guarantee capital of EUR 38,9 million to EUR 85,7 million of guarantees to 1206 business loans of a total size of EUR 121,9 million. Maximum guarantee coverage was up to 80% of the loan amount.

Geographic focus

The geographic focus of the initiative is national (whole Greece).

Detailed information of the initiative

Entrepreneurship Fund (TEPIX) was established in 2010 aiming to support small and medium-sized enterprises in their funding needs such as the need for Working Capital and/or Investment Loans by providing beneficial pricing terms. To achieve this, TEPIX aimed at investing in financial engineering instruments, such as loan guarantees and risk-sharing loans by choosing financial, or investment organizations using open call procedures. The Guarantee Action's specific objective was the successful achievement of all Operational Programmes' targets in improving the competitiveness of Greek SMEs, who were faced with the diminishing collateral values in the Greek market.

Micro, small and medium enterprises, according to EU Recommendation 2003/361/EC that operate legally in Greece (existing, new and start-up companies) and meet the requirements of their tax and insurance obligations (during loan disbursement). The eligible sectors of SMEs operations were thoroughly described in the co-finance agreements between TEPIX administration and the participating Financial Institutions. The recipients also included SMEs that had already guarantees from ETEAN SA in past supporting programs that either had ended or were still running and are consistent with the maturity of the loans guaranteed.

The number of total funds both private and public introduced in market was EUR 817 mil. These correspond to 7.917 both loan and guarantee financial instruments with favourable terms for a total of 7.088 benefited enterprises.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Main results

- 1206 business loans were paid covered by an equal number of issued guarantees. In total, the Holding Fund supported 7.913 business loans provided with favourable terms up to 31-1-2017.
- 1206 benefited enterprises (7.088 within the whole Holding Fund).
- EUR 121,9 million of guaranteed loans were introduced in the Greek market (EUR 813.0 million within the whole Holding Fund).

What makes the initiative user- friendly

Entrepreneurship Fund (TEPIX) aimed at supporting small and medium-sized enterprises by providing financial engineering instruments, such as loan guarantees and risk-sharing loans via financial, or investment organizations using open call procedures. Under the Guarantee Fund of TEPIX the financial products introduced were: 1) Investment Loans from 10.000€ to 500.000€ with 70% guarantee for 5-10 years guarantee period, 2) Loans for approved projects under ERDF from 10.000€ to 500.000€ with 80% guarantee and a guarantee duration of 24-36 months as well as 3) Business growth loans /and Working Capital Loans from 10.000€ to 800.000€ with 70% guarantee and a guarantee duration of 2-10 years. This 'Guarantee Action' under TEPIX was one important financial support to the Greek SME's during economic crisis in 2010. It contributed to loan providing for businesses that needed to cover establishment expenses, further growth/development-oriented investment projects as well as other liquidity needs. Moreover, the action supported SMEs to introduce more innovative products, procedures and services, to become more extroverted and to enhance their competitiveness. Via the TEPIX Fund, totally, 817 mil. €. were introduced in the market (private and public funds) corresponding to 7.917 both loan and guarantee financial instruments and 7.088 enterprises benefited. In case of re-introduction, stakeholders must take into consideration that a fast and unvarying design of the FI reassures effective disbursement of the funds to the real economy.

Contact details

First name & Surname: Mrs. Maria Chrissaiti
Organisation: Managing Authority of the Operational Programme 'Competitiveness, Entrepreneurship & Innovation'
Job title: Unit B2 – Project Management
Telephone: +30 2131503688
Email: mxrysaiti@mou.gr

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

6.3 EquiFund

Brief description

EquiFund is a fund of funds programme, providing equity financing to Greek companies and accelerating venture capital and private equity in Greece.

The Greek government's fund of funds, EquiFund, has been launched because SMEs need a private equity and venture capital ecosystem to thrive. By making commitments in independently managed funds, EquiFund aims at strengthening the venture capital market in Greece. In turn, this will encourage more entrepreneurs to start-up businesses, which will attract more private sector investment.

Recognising that each start-up business has a lifecycle, EquiFund's investment strategy includes three windows: the Innovation window (targeted at researchers and innovators, who are still at the idea and research stage, supporting both Technology Transfer and Acceleration), the Early Stage window (targeted at start-ups who have launched their companies and whose ideas are achieving initial traction) and the Growth Stage window (targeted at scale-ups who have established businesses with strong sales). Each window is designed to ensure that a Greek start-up or SME (or mid-caps in suitably justified cases) can access the right financing, at the right stage for them.

Equifund was created by the Hellenic Republic in cooperation with the European Investment Fund (EIF).

Points of particular interest to the target audience

- Strong political commitment of the mandators and exemplary cooperation between EIF and all relevant stakeholders.
- Market centred design of the initiative, to address a clear and identifiable market gap in equity financing in Greece and to fully comply with the objectives of the Operational Programme.
- Market centred governance of the initiative with clearly and segregated responsibilities among the involving actors.
- Regulatory framework, more conducive to successful implementation.

Duration of initiative

The initiative has started in December 2016 and is still on-going

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Leading partner /organisation of the initiative

European Investment Fund (EIF)

Other partners involved

Hellenic Republic and other private investors.

EquiFund is advised independently by the EIF.

Funding of the initiative

EquiFund is co-financed by the EU and national funds, as well as funding from the EIF. The European Investment Bank has joined the existing cornerstone investors through the European Fund for Strategic Investments, the core of the so-called 'Juncker Plan.' Strategic Partners such as Onassis Foundation and National Bank of Greece have also committed to several of the EquiFund supported funds.

Budget

Total budget (as of 31.12.2019): 448M euros (200M-OP Competitiveness, 60M-EIF, 31M-EIB, 157M->150 investors inside or outside Greece).

Geographic focus

The geographic focus of the initiative is national (Greece)

Detailed information of the initiative

Small and medium-sized enterprises (SMEs) are responsible for two out of three jobs in Europe. Yet Greece has one of the lowest levels of venture capital and private equity activity of the whole EU, according to Invest Europe, the European venture capital and private equity association.

By making commitments in professional and independently managed funds, EquiFund aims to strengthen the venture capital in Greece, which can in turn provide entrepreneurs with the crucial financing they need to grow their business and attract private sector investment.

It is financed by the Greek ESIF Fund of Funds TAESYM under the European Union / European Regional Development Fund / Operational Programme EPANEK, the EIF and Private Investors, with the objective to facilitate access to finance, mainly to SMEs, by developing the Venture Capital / Private Equity ("VC/PE") in Greece in cooperation with selected Financial Intermediaries.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

EquiFund offers three different types of equity financing to ensure that companies can access the right financing, at the right stage for their business or idea. It supports 9 funds in 3 windows: 4 in Innovation Window, 2 in Early Stage Window and 3 in Growth Window. 100% of the ERDF and EIF resources have been committed to the 9 funds. The funds have attracted more like-minded, market-oriented investors – more than 150 of them. The aggregate size of all 9 funds reached EUR 410m in 3 windows: EUR 131m in Innovation Window, EUR 82m in Early Stage Window and EUR 235m in Growth Window. Based on preliminary figures as of 30.09.2020, the investment activity was estimated at EUR 135m to 106 final beneficiaries: EUR 51.2m to 79 beneficiaries in Innovation Window, EUR 54.2m to 27 beneficiaries in Early Stage Window and EUR 29.2m to 5 beneficiaries in Growth Window (some SMEs are counted twice in the breakdown by window as they have received investment by an Innovation Window fund and an Early Stage Window fund).

Moreover, the EquiFund investment leveraged even more funding to the beneficiaries by investors who were attracted by the EquiFund investments and invested directly to the beneficiaries at the same time as the EquiFund funds. It is estimated that this extra investment doubled the impact of the EquiFund funds. Thus, the overall leverage that the ERDF funding achieved is around 5.3. The first investments stemming from academic or R&D institutions are recorded. The Innovation Window fund managers have established cooperation with most of those institutions. The investment activity, thus, the selection of new projects and beneficiaries will continue until 2023.

EquiFund will pave the way for unleashing the social and economic wealth-creation of young talented human capital in Greece and its diaspora.

What makes the initiative user- friendly

- Strong political commitment of the mandator and exemplary cooperation between EIF and the authorities for fast implementation.
- Market centred character of the initiative to attract quality applicants, facilitate the fundraising process and motivate pitching ideas.
    - Address a clear and identifiable market gap in equity financing in the country and design with the actual market in mind.
    - Clearly and distinctly segregated responsibilities.
    - Draft overall investment strategy to focus on policy objectives.
    - Call for Expression of Interest under the exclusive responsibility of EIF.
    - Assessment and selection of potential final beneficiaries under the exclusive responsibility of the selected fund managers.
    - Overall management by EIF promoting best market practice and solid corporate governance.
- Regulatory framework during the programming period was very helpful to deploy an instrument close to the market standards.
- Motives for private investors to support activities in dire fundraising conditions.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Contact details

First name & Surname: Mr. George Giakoumakis

Organisation: European Investment Fund (EIF)

Job title: Mandate Manager

Telephone: +352 2485 81485

Email: g.giakoumakis@eif.org

6.4 TechnoBIT Venture & Beskid Technology Accelerator Seed Capital Fund

Brief description

TechnoBIT Venture, co-funded by the European Regional Development Fund (ERDF) in the 2007-2013 programming period, addressed a regional market gap for access to finance for innovative ideas. Target recipients were both natural and legal persons as well as small and medium-sized enterprises (SMEs) in the information technology, medicine, metal industry, environmental protection, tourism, furniture, 3D printing, plastics, electronics and automation. Thematic scope of the investments were in line with the development strategies of the region, as well as in line with the general direction of the European Union at that time. As the result of capital investment, there was always a separate Limited Liability Company created.

TechnoBIT Venture project was designed to show the opportunities that equity instruments give to the companies or to-be-entrepreneurs. The investments made within the project were re-invested with the Beskid Technology Accelerator Seed Capital Fund that was established in 2014 and is still operating.

The fund manager, Regional Development Agency in Bielsko-Biała (ARRSA) provided equity instruments investments combined with non-financial and advisory support such as consulting the innovative idea, risk assessment and profitability and market analysis. The implementation of the project involved two components - the pre-incubation stage and the equity investment of the newly established entrepreneur.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Points of particular interest to the target audience

Beskid Technology Accelerator which raised on the TechnoBIT Venture project is a complex service with financial and non-financial support for entrepreneurs-to-be. At a time that it was set up, it was a unique instrument on the regional level and it was used to support regional undertakings. The procedures created in terms of the selection of innovative ideas, pitching, pre-incubation process and investment itself were made by a project team of ARRSA with a user-centered approach. It is now being presented as a good practice and is being used by regional institutions operating European funds to create their own equity type financial instruments.

Duration of initiative

TechnoBIT Venture started in May 2009 and had a duration of 5 years and 7 months.

Beskid Technology Accelerator has started in January 2014 and is still operating.

Leading partner /organisation of the initiative

Regional Development Agency in Bielsko-Biała (ARRSA) as a Fund Manager

Other partners involved

No additional partners were involved in these projects

Funding of the initiative

The Initiative received funding by ERDF, Operational Program of Innovative Economy 2007-2013.

More specifically, TechnoBIT Venture was an EU Funded project from the National Operation Program of Innovative Economy, Measure 3.1 Initialization of innovative actions.

Beskid Technology Accelerator fund is based on the re-investments from the undertakings created within the TechnoBIT project.

Equity investment within the TechnoBIT Venture Fund and BAT was made by ARRSA in an amount of less than 50% of shares of the company to be developed. The maximum amount of support was 200,000 euro, following *de minimis* rule. The rest of the investment should be made either by the innovator who is presenting the idea as type of guarantee, or by other private or public investor indicated by the innovator. The co-investment to the fund should be more than 50% on the level of the final recipient.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Budget

TechnoBIT Venture - €3.6 million from the Operational Program + at least 50 % of private capital as a co-investment.

Beskid Technology Accelerator Seed Capital Fund – ca. €1 million

Geographic focus

The geographic focus is regional.

Detailed information of the initiative

TechnoBIT Venture – knowledge and capital for innovation" – was designed as an EU co-financed project from European Regional Development Fund. It was implemented under the Operational Program "Innovative Economy" measure 3.1 "Initialization of innovative actions". Regional Development Agency applied for fund to Polish Agency for Enterprise Development, who was the operator of funds distributed by the Ministry of Regional Development and was approved for the project implementation in 2008. The main objective of the project was the creation of several new businesses based on innovative solutions in the following sectors: information technology, medicine, metal industry, environmental protection, tourism, furniture, printing, plastics, electronics and automation. Since 1st May 2009 till the end of the project implementation (December 2014) ARRSA has made 15 equity investments in companies on the basis of innovative ideas for a total amount of around €2.9 Million.

As the financial instrument was designed in the time of mid-term review for the 2007-2013 perspective, the need of changing financial mechanisms was already recognized. Revolutionary mechanisms provide significantly higher efficiency of using public funds in relation to grant support. Thanks to the renewal of the instruments offered under this type of initiatives, it was possible and multiplied the benefits for SMEs. It also guaranteed the continuity and stability of the support system.

TechnoBIT Venture project was designed to follow this trend and to show the opportunities that equity instruments give to companies or entrepreneurs-to-be. As mentioned before, the investments made within the project were re-invested with the Beskid Technology Accelerator Seed Capital Fund that was established in 2014 and is still operating.

As stated in the Technology Development Program for the Silesia Voivodeship for the period 2010-2020, the role of the region is to provide an "attractive" environment for creative entrepreneurs and innovators transferring knowledge and technologies for the development of new products and services. With the seed capital fund ARRSA was trying to fulfil this obligation and create an entrepreneur friendly environment.

The Fund was created from the basic, with no existing governance or procedural structure before. ARRSA was the manager of the fund as an entity implementing the project designed a team of professionals. The project was implemented through the creation of a project team, consisting of 4 substantive employees of ARRSA and a project manager. Moreover, there was need to add specialists to the project team to cover more specific areas, such as financial and accounting, legal counselling, expertise on industrial property rights, research for innovative solutions, experts responsible for the initial analysis and selection of reported innovative ideas.

TechnoBIT Venture offered two types of services related to the creation of a new company: free of charge consultation services in a preincubation process and equity investment in the second stage.

Preincubation of business ideas

Support in this stage can last up to 12 months and is granted by providing free consultation services with the goal of identification of innovative ideas and investigation of its market potential.
Analysis of the type of innovative solution consists of the following stages:

- studies of industrial property rights in regards to the proposed innovative solutions
- development of the business plan with market analysis and market potential,
- the provision of consultancy services in the field of research - development,
- capital investment cost-effectiveness analysis,
- analysis of the business idea and recommendation of the profitability of possible capital investment by the TechnoBIT Venture Programme Council. After positive recommendation of the Programme Council, approval of the ARR S.A Board of Directors business idea is submitted to the PARP in Warsaw for final approval
- starting of the new business based on approved innovative solution/idea.

After the completion of the project Beskid Technology Accelerator (BAT) was created, the idea of which is to support innovative undertakings. Beskid Technological Accelerator is a typical example of a regional seed fund enabling entrepreneurs to access capital in the early stages of project development. The Accelerator is powered by financial resources coming from capital exemptions from companies in which ARR S.A. has its shares. The procedures and products offered are the same as during the project lifetime.

Equity Investment

This stage is a final creation of a new capital company based on the incubated idea. Funds are used to cover ARRSA shares in the created company in an amount of less than 50% of the whole company capital. All tangible or intangible assets purchased during incubation process will be brought into the new venture as part of the capital investment. In total, in the second stage, the maximum amount of support is €200,000 which constitute *de minimis* aid as referred in the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Art. 87 and 88 of the Treaty to de minimis aid (OJ. EU L 379 of 28.12.2006).

The project was targeted to individuals and entities that have an innovative idea in the identified industrial sectors with the intention of commercializing that idea and currently do not operate based on it. The innovator should be the owner of the idea and has all the rights to operate it.

Within the TechnoBIT Venture 42 innovation ideas out of more than to 138 where considered as relevant and moved to the pre-incubation phase of the project and from that number – 15 new companies where created.

Within the Beskid Technology Accelerator seed capital fund re-investing from capital exits of the companies, 3 equity investments were made out of 65 innovation ideas in total (38 preincubations).

What makes the initiative user- friendly?

- The access to capital in an early stage of the business development
- The support on innovation – fulfilling the regional gap for investing in high-risk initiatives
- The clear investment path
- The non-financial support for the idea holders, the user-centered orientation, the access to professionals and their knowledge in terms of market analysis, SWOT, cost-effectiveness & risk analysis
- The activation of private capital and the clear procedures of co-investment
- The leveraging of public funds with private capital

Contact details

First name & Surname – Ms Wioletta Łopatka

Organisation Regional Development Agency in Bielsko-Biała (ARRSA) – Entrepreneurship Support Fund

Job title Director

Telephone +48 33 816 91 62

Email – wlopatka@arrsa.pl

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

6.5 Bielski Capital Projects Fund (BFPK) (2002-2019); Entrepreneurship Support Fund (01.2020 – ongoing)

Brief description

The fund was established in January 2002 as the initiative of the Bielsko-Biała Municipality and was managed by BFPK in the end of 2019. Currently, the Loan and Guarantee Fund runs within the ARR S.A. Entrepreneurship Support Fund.

BFPK was a nonprofit business support institution. The mission and aim of BFPK was to actively support and develop entrepreneurship by granting loans, guarantees (credits, sureties, leases, tender deposits) to micro, small and medium enterprises, based in the Silesian Province.

As of 2nd January 2020, BFPK merged with Regional Development Agency in Bielsko-Biała. The Fund's current offer for entrepreneurs has been fully maintained.

BFPK working capital of 6.9 million PLN allowed it to grant loans, guarantees up to a maximum of 345 thousand PLN. During its operations, BFPK provided support to entrepreneurs in the amount of over PLN 40 million. According to the entrepreneurs' declarations, 540 jobs were created thanks to this support, and over 4.1 thousand jobs were maintained.

BFPK Sp. z o.o. was an entity which received support from the Polish Agency for Enterprise Development. On the basis of the agreement of April 19, 2005, BFPK Sp. z o.o. PARP capitalised the Fund with PLN 5 million. These funds came from the European Regional Development Fund and national public funds. The recapitalisation was realized within the framework of the Sectoral Operational Programme "Increase in the competitiveness of enterprises (SOP ICE), years 2004-2006, Priority 1 Development of entrepreneurship and increase in innovativeness through strengthening business environment institutions, Measure 1.2 Improvement of accessibility to external financing of enterprise investments.

Points of particular interest to the target audience

BFPK offers a complex service with financial and non-financial support for the entrepreneurs-to-be. Access to preferable loans and guarantees gives an access to capital for SMEs that wouldn't be able to gain funds on the commercial market.

Innovation of the package of guarantees for tender deposit is very interesting and can be transferred and further developed in other regions.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Duration of initiative

The BFPK initiative started as a separate institution in January 2002 and operated until 2019. BFPK as a part of Entrepreneurship Support Fund has started in January 2020 and is still operating.

Leading partner /organisation of the initiative

Bielski Capital Projects Fund & Regional Development Agency in Bielsko-Biała (ARRSA) as a Fund Manager.

Other partners involved

No additional partners were involved in these projects.

Funding of the initiative

The initiative was funded by the Sectoral Operational Programme "Increase in the competitiveness of enterprises (SOP ICE), during the years 2004-2006, Priority 1 Development of entrepreneurship and increase in innovativeness through strengthening business environment institutions, Measure 1.2 Improvement of accessibility to external financing of enterprise investments.

Financial Instruments offered by the Fund are:

- Loans
- Guarantees (also for tender deposits)
- Sureties

Budget

The value of the fund reaches € 6.9 M .

Geographic focus

The geographic focus of the initiative is regional.

Detailed information of the initiative

BFPK provided the following services to companies belonging to the SME sector:

Financial services:

- Loans
- deposits for tenders in the form of guarantees
- guarantees for credits, loans and leases

Financial intermediation services:

- seeking appropriate financing
- financial assembly consulting

Advisory services:

- consulting
- business plans
- financial analyses of undertakings
- analysis of the profitability of capital inputs
- market analysis
- applications for eu grants

<u>Loans</u>

The applicant can be a micro, small or medium-sized entrepreneur having its registered office, branch or investment in the Silesian Voivodeship and:

- has no tax arrears (ZUS, US).
- fulfils his obligations on time, including those towards banks.
- does not belong to the group of threatened entrepreneurs within the meaning of European Community guidelines.
- has creditworthiness understood as the ability to repay the loan applied for on time.

Loan parameters

- maximum amount of the loan - PLN 345 thousand
- maximum loan period - 84 months (7 years)
- loan interest rate - depends on loan risk assessment and loan repayment period - from 2.44% to 7.00%
- fee for processing the application - PLN 100
- one-off loan commission - depending on the loan repayment period - from 1.5% to 4%

<u>Surety for the deposits</u>

- up to 100% of the deposit amount up to 90 days
- up to 1 345 000 PLN package that can secure many tenders

Conditions for obtaining a surety of the deposit:

The applicant can be a micro, small or medium-sized entrepreneur having its registered office, branch or investment in the Silesian Voivodeship and:

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- has no tax arrears (ZUS, US).
- timely fulfil of their obligations, including those towards banks
- does not belong to the group of threatened entrepreneurs within the meaning of European Community guidelines.
- has passed the risk assessment (based on the application)

Parameters of surety of the deposit:

- maximum amount of the package - 345 thousand PLN (even up to 750 thousand in consortium with Silesia Regional Guarantee Fund)
- package is granted for 12 months
- period of single surety for the deposit within the package: up to 90 days
- fee for processing the application for the package - PLN 100
- preparatory commission for granting a package - PLN 100
- commission for a single surety within the package (depending on the surety period) - from 0.2% to 0.6%, minimum PLN 200

<u>Guarantee for credits and loans:</u>

Conditions for obtaining guarantee:

The applicant is a micro, small or medium-sized enterprise having its registered office or branch in the Silesian Province and

- has no tax arrears (ZUS, US)
- meets its obligations towards banks on time
- does not belong to the group of threatened entrepreneurs within the meaning of European Community guidelines
- has creditworthiness understood as the ability to repay a loan taken from a bank or a loan fund on a specified date
- has a preliminary decision (or a promise) to grant a credit (loan)

Guarantee instruments:

- credits and loans taken for economic purposes
- credits and loans may be used to finance investment expenditures or current assets
- overdraft and credit facilities
- the guarantee is granted for a maximum of 60 months
- also possible bridging guarantees for the time the client establishes a collateral for the repayment of the loan, or until the funds from the implemented EU funds are obtained
- the credit or loan bears interest at a level not lower than the European Union reference rate, which is published by the OCCP (Office of Competition and Consumer Protection)

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Financial intermediation services:

- diagnose of credit needs
- selection of the appropriate types of financing
- acting as an intermediary in obtaining sources of financing
- price negotiations with a financial institution

Business advisory services:

- business plan with financial forecast, indicator and profitability analysis (NPV and IRR)
- financial analyses of undertakings
- profitability analyses of capital inputs including index analysis, profitability (NPV, IRR, Payback Period, break-even, sensitivity analysis), cost of capital
- market analyses aimed at identifying opportunities and threats as well as strengths and weaknesses of the product, undertakings
- applications for EU funds

What makes the initiative user- friendly

- Many business support services found in one place
- Both financial and non-financial – user-oriented approach, case-by-case preparation of each offer
- Access to banking financial instruments for entities that do not have credit history and won't be able to get funded on a commercial market

Contact details

First name & Surname: Ms Wioletta Łopatka

Organisation Regional Development Agency in Bielsko-Biała (ARRSA) – Entrepreneurship Support Fund

Job title Director
Telephone +48 33 816 91 62

Email – wlopatka@arrsa.pl

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

6.6 Technology Accelerator Gliwice ASI Sp. Z o.o. (01. 2016 and still operating)

Brief description

The seed fund of Technology Accelerator Gliwice ASI Sp. z o.o. provides co-financing of R+D projects in the early stages of development (Proof of Principle and Proof of Concept). Technology Accelerator Gliwice supports the seed stage concepts where the risk of investment failure is the greatest, but it can be effectively verified by the fund. The creators can be both entrepreneurs and higher education institutes as well as research institutes, scientific institutes and individual innovators.

Under an agreement concluded with the National Center id Research and Development (NCBR), Technology Accelerator Gliwice Ltd. provides co-financing of R+D projects in the early stages of development (Proof of Principle and Proof of Concept) through analytical support in respect of the adopted technical assumptions (technological feasibility studies, prototype construction), economic assumptions (market research and marketing analyses) as well as legal assumptions (including patent and intellectual property rights analyses). After a project's assumptions have been verified positively, the Fund takes up shares in the spin-off.

Points of particular interest to the target audience

Technology Accelerator Gliwice is a mature seed capital fund, with a lot of experience in terms of equity type investments. Clear procedure and investment process, complex offer of financial and non-financial services and high level of private capital engagement are the most valuable parameters of the fund.

Non-financial support is provided in the form of business analysis, risks identification and legal, economic and technological analysis at the pre-investment stage. This led to the high-quality of business and/or commercialization model for the future company containing, in particular, the material and financial schedule and the R&D Program of activities planned for implementation at the Proof-of-Concept stage.

Moreover, the non-financial support is also provided in the form of networking services, including matchmaking with the potential investors at the post-investment stage (after the equity exit of the Accelerator from the Portfolio Company).

Duration of initiative

The initiative started in January 2016 and it is still operating. An open-ended call for application was launched.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Leading partner /organisation of the initiative

Technology Accelerator Gliwice ASI Sp. z o.o.

Other partners involved

"Technopark Gliwice" Science and Technology Park is a modern centre supporting academic business, established in April 2004 by three founders: the City of Gliwice, the Silesian University of Technology and the Katowice Special Economic Zone. The Park's core activities are the creation and promotion of innovative and modern technological companies, as well as the transfer of innovative technologies from the Silesian University of Technology and R&D units to the sector of small and medium-sized enterprises (SME).

"FKZ Sp. z o.o. Sp. SKA" was established in 2013 and it has contributed to the creation and development of the start-up ecosystem in Poland. The company entrusts its own funds to be managed by seed and early stage funds, joining such funds as a partner.

Funding of the initiative

Bridge Alfa Program (Measure 1.3: R&D activity financed with capital funds participation Sub-measure 1.3.1: Support for R&D projects at the 'pre-seed' stage by proof of concept funds – BRIdge Alfa) implemented by the National Centre for Research and Development (NCBR)

Financial Instruments offered by the Accelerator:

- Equity type investments

Total value of investments so far: approximately € 5.5 Million

Budget

The value of the fund reaches €7 Million.

Geographic focus

The geographic focus of the initiative is global.

Detailed information of the initiative

Technology Accelerator Gliwice offers complex support – financial, mentoring services and business contacts.

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The areas of interest that Technology Accelerator Gliwice covers are strictly related to the National Smart Specialisation Strategy, sector "Innovative technologies and industrial processes" and can be listed as follows:

- Printed, organic and flexible electronics
- Technological processes' automation and robotics
- Sensors (including biosensors) and intelligent sensor networks
- Intelligent networks, information and communication technologies as well as geoinformation technologies
- Photonics
- Intelligent creation technologies
- Multifunctional materials and composites with advanced properties, including nanoprocesses and nanoproducts

There is no territorial limitation for the originators, neither before nor after the investment. There is also a possibility to invest in innovative ideas from foreign originators (but it has to be made by Polish citizen; in practice, also R&D base is located in Poland and the commercialization is made abroad)

The Accelerator gives financial support in the form of equity type instrument, following specific procedure:

Stage 0:

- Accepting applications
- Initial verification of the idea's market potential
- Initial verification of the technological feasibility, idea's feasibility and innovativeness

Stage 1:

- Cooperation agreement
- Development of a range of analyses and studies with milestones
- Market potential analysis
- Feasibility legal analysis (legal conditions for the applied solution's implementation)
- Preliminary patent analysis of the idea
- Research work at the proof-of-principle level
- Development of a commercialization model and business model for a future company
- Term Sheet

The key criteria for assessing investment readiness are:

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- technological feasibility (knowledge of the state of the art, technological needs),
- legal feasibility (freedom of intellectual property),
- market feasibility (market size, market absorption, access to the market),
- financial feasibility (need for funds, return on investment, planned cash flows),
- organisational feasibility (ability to establish a capital and management structure portfolio company)

Stage 2:

Company establishment and capital entry in stages, using the amount allowing for the implementation of the proof-of-concept phase work

- Patent application
- Research work – prototype
- Research work – prototype evaluation
- Test production
- Target markets' verification
- Starting the Patent Cooperation Treaty (PCT) procedure

Stages of investment:

Upon signing the Investment Agreement, the founders establish a Portfolio Company within the timeframe and on the terms and conditions specified therein. The shares in the new established company are paid for and acquired as follows:

- Accelerator takes up less than 50% of shares, allocating for this purpose funds from the budget held of the investment budget.
- The capital relating to the remaining shares is paid in kind by the other founders.
- Tangible and intangible assets and fixed assets created during the Proof-of-Principle stage. Tangible and intangible assets (if any) are contributed to the Portfolio Company by the Accelerator at their value in date of acquisition/production.

Upon the establishment of the Portfolio Company, the Accelerator and the Portfolio Company will sign an Agreement on Support.

The preferred period of Accelerator's investment in the Portfolio Company should be from 2 to 7 years. Each time the investment period will be adjusted to the given Idea and specified in the Investment Agreement.

The Accelerator, through its representation in the governing bodies of the Portfolio Company, provides monitoring and support in the area of:

- efficiency and effectiveness of portfolio company management
- organization of the organizational structure
- implementation of the development strategy
- financial matters
- financial assembly in the case of the need for external financing the next stage of investment
- preparations for exiting the portfolio company

Statistic data about the operation of fund:

Number of innovative ideas submitted: app. 500 projects

Preincubation:

- Phase 1: preliminary analysis – app. 80 projects
- Phase 2: in-depth analysis – app. 40 projects

Number of investments: 18 new companies

Value of investments – in total: app. €5.5 Million

Average value of single investment: at the beginning of operating: max. 3 M PLN, 3 companies were invested 2.5-2.8 M PLN, average 1.5 M PLN; due to new regulations value of investment is currently at the threshold of app. 1 M PLN.

Value of shares taken by the Fund in new Portfolio Companies: max. less than 50 %, on average 25-30 %.

What makes the initiative user- friendly

- The complex offer for R&D undertakings
- The engagement of private capital in the investment
- The networking possibilities for the authors of innovative ideas & the wide range of business and investment contacts
- Both the financial and non-financial support & the user-oriented approach
- The very user-friendly website of the fund, fully available in both Polish and English, with a clear step-by-step description of the application and investment procedure

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Contact details

First name & Surname: Mr. Michał Chojkowski

Organisation Technology Accelerator Gliwice

Job title R+D Institution Relations Specialist

Telephone +48 605 332 662

Email – info@akceleratorgliwice.pl

6.7 Portal do financiamento, Portugal

Brief description

"Portal do Financiamento" aimed at being a platform to present the set of financial instruments deployed by the Portuguese state and available to SMEs, but also provide advice on which is the best instrument according to each case and how to access it. Financial instruments are perceived as black boxes, full of complexity and conditions. Hence, there is a significant preference for the use of debt instruments which are more common. Communication and understanding are important barriers to overcome.

Points of particular interest to the target audience

This is an interesting case study because it highlights the importance of communication and facilitating comprehension and the selection by the user. We must also stress the importance of creating a "hotline" to help entrepreneurs.

The experience with "Portal do Financiamento" allows to infer that it had a positive impact in increasing the level of usage of these policy tools, with more than € 17Bi of operations contracted.

Duration of initiativ

The initiative has started on 17th of September 2019 and has an unlimited duration.

Leading partner /organisation of the initiative

Institute for the Support of Small and Medium-Size Enterprises (IAPMEI)

Other partners involved

Turismo de Portugal, IFD, PME Investimento, Portugal Ventures, SPGM- Sociedade de Investimentos, S.A.,, Turismo Fundos

Funding of the initiative

Not applicable. The initiative broadcasts information and technical support on public funded instruments. No Budget foreseen.

Geographic focus

The geographic focus of the initiative is national.

What makes the initiative user- friendly

The new "Portal do Financiamento" aggregates in a single location, several financing solutions with public support, aimed in particular at SMEs, in the different phases of their activity and investment.

The Financing Portal, hosted on the IAPMEI website, provides information on a wide range of solutions, such as Mutual Guarantee, Credit Insurance, Venture Capital, Business Angels, Co-Investment Funds, Real Estate Investment Funds, also covering tax incentives investment and capitalization of companies.

The information is structured according to the needs of the companies, their investment strategies (growth, expansion, exports, capitalization, etc.), the business dimension or the sector of activity. The objective is to present the solutions, taking into account the investor profile and the characteristics of the business, as well as identifying the agents responsible for its operation.

Furthermore, to improve user-friendliness, a phone line was placed at entrepreneurs' disposal so that they can obtain more information and advice. www.financiamento.iapmei.pt

Contact details

Organisation Institute for the Support of Small and Medium-Size Enterprises (IAPMEI)

Telephone 808 201 201

Email: info@iapmei.pt

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

6.8 FFRU - Financial instruments for urban development

Brief description

IFRRU 2020 (Instrumento Financeiro para a Reabilitação e Revitalização Urbanas) is a financial instrument that has been established to support urban renewal across the entire Portuguese territory. It uses EUR 102 million of ESI Funds resources to mobilize € 1.4 billion of public and private financing for urban development, with the aim of generating a total investment of around EUR 2 billion.

IFFRU operates as a Fund of fund and targets at the improvement of buildings that are more than 30 years old, abandoned industrial spaces and units, social housing (including private units within a social housing building) and public space. Typically, the works will improve the general condition of the building and must include interventions to improve its energy efficiency.

Points of particular interest to the target audience

The case study follows a less common focus on what concerns financial instruments. It has been a very important initiative in combining urban regeneration with new economic dynamics, mostly associated with tourism.

Duration of initiative

The initiative has started in October 2017 and has an unlimited duration.

Leading partner /organisation of the initiative

FFRU - Financial instruments for urban development

Other partners involved

Regional Operational Programs, European Investment Bank, Council of Europe Development Bank-CEB

Funding of the initiative

ERDF, public, private

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Budget

approximately 102M Euros (ERDF)

Geographic focus

The geographic focus of the initiative is national.

Detailed information of the initiative

The IFRRU 2020 fund of funds is a national body established to act on behalf of the eight managing authorities supporting the financial instruments. It operates in a multi-stakeholder environment, which includes the public financiers, the private sector financial intermediaries, specialist ministries and agencies and more than 300 municipalities across Portugal, including those from Madeira and the Azores. The effective management of relationships between the large number of stakeholders is achieved through an information system developed by IFRRU 2020 as part of its management role (and funded from its management fees) to support the sharing of financial and other information.

IFRRU 2020 gathers financing from several sources, including ESI Funds from seven Regional Operational Programmes (OPs) - PO Norte, PO Centro, PO Lisboa, PO Alentejo, PO Algarve, PO Açores, PO Madeira - and one Thematic OP (PO SEUR) from Portugal 2020. It also uses finance from the European Investment Bank (EIB), the Council of Europe Development Bank (CEB) and the State Budget (national public contribution). This public financing, is used to attract private co-financing through the selected financial intermediaries. This generates a multiplier effect of fourteen for this financial instrument. Further investment at project level, typically by the project promoters, is expected to result in a total amount of investment of €2 billion.

The investment strategy of the fund of funds targets at the improvement of buildings that are more than 30 years old, abandoned industrial spaces and units, social housing (including private units within a social housing building) and public space. Typically, the works improve the general condition of the building and must include interventions to improve its energy efficiency. The financial instruments were launched in October 2017 following selection of the financial intermediaries. By September 2019, 151 funding contracts were signed with a total value of investment of € 479 million. Projects have been approved for support in 54 different cities demonstrating how the financial instrument is successful at delivering finance to support urban development across a range of different localities and projects.

The financial intermediaries were chosen through a public tender. The design of the instrument requires that the IFRRU 2020 products are offered by each of the banks across the entire Portuguese territory (in total more than 1000 offices). This generates more

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

competition and therefore ensures that the final recipients can access finance at the most competitive terms. Another feature of the design is how it has made it simple for promoters to access the funds. Applications for finance are made direct to one of the financial intermediaries, through its branch network at any time, without a limit to the number of applications that can be made. The programme's communication strategy has also been an important factor in its successful implementation. In the first year, more than 100 public presentations of the programme were made all over the country to promote the financial instruments to potential project promoters, municipalities and other stakeholders. An international campaign was also developed, with the help of embassies and the consulates, to promote the potential of IFRRU 2020 to expatriates and investors.

Contact details

Organization Institute for the Support of Small and Medium-Size Enterprises (IAPMEI)

Telephone +351217231798

Email ifrru@ifrru.ihru.pt

6.9 Portugal Ventures

Brief description

Portugal Ventures's mission is to pro-actively invest in startups in all stages of their development, betting on their growth, competitiveness and internationalization capacity. Portugal Ventures develops its investment activity having as reference matrix the quality of the projects in which it invests, a quality that is evaluated in terms of coherence, rationality and innovative nature of the investment for the production of internationally tradable goods and services, due to the novelty and diffusion, as well as the level of qualification and suitability of the promoting teams.

Points of particular interest to the target audience

This practice shows a successful implementation of public-funded financial instruments, with a high potential for transfer to regions or countries facing industrial transition. Since 2012, Portugal Ventures has analysed over 1811 projects; established a network of more than 70 ignition partners; invested more than €140M; funded more than 110 start-ups.

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Duration of initiative

The initiative has started in June 2012 and its duration is unlimited.

Leading partner /organisation of the initiative

Portugal ventures

Other partners involved

COMPETE and Regional Operational Programs

Funding of the initiative

European Structural and Investment (ESI) Funds, public, private

Budget -

Geographic focus

The geographic focus of the initiative is national

Detailed information of the initiative

Being a public operator, Portugal Ventures develops its investment activity with reference also to the impact of the projects in which it invests, highlighting, in particular, the degree of their response in the national competitiveness, including the effect of entrainment in the ecosystem and the structural impact of the positive externalities that it can cause. Portugal Ventures' mission is to invest in start-ups in the pre-seed and seed stages. Their selection is based on an innovative reference matrix that evaluates the quality of the projects in terms of coherence, rationality, and innovative nature of the investment. It also capitalizes on a network of partners to increase technical and financial capabilities, leveraging ESIF beyond the scope of traditional innovation policy instruments (e.g. subsidies).

As a public operator, the investment strategy follows clear objectives mostly linked to the systemic impact of projects - its externalities and risk-aversion - in order to fully address the identified market failure, focusing on expanding the spectrum of new technology-based firms and reinforcing of the Portuguese innovation system by creating a strong entrepreneurship milieu.

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Since 2012, Portugal Ventures manages 7 funds (Venture Capital Fund Portugal Ventures ACTEC II, Venture Capital Fund Portugal Ventures Biocant, Venture Capital Fund Portugal Ventures Early Stage, Venture Capital Fund Portugal Ventures Creative Industries, Fund of Venture Capital Portugal Ventures Universitas, Venture Capital Fund Portugal Ventures Internationalization, Tourism Innovation - Venture Capital Fund) that in addition to private participants, rely on the leverage of a Fund of Funds Finova, managed by PME-Investimentos (between 30% and 50% of the capita of the funds). FINOVA - Fund for Supporting Innovation Financing - was constituted through Decree-Law no. 175/2008, of August 26, as a privileged instrument for the achievement of the objectives established in SAFPRI (System of Support for Financing and Risk). This program created under the National Strategic Reference Framework (NSRF), whose financing entities are the Operational Competitiveness Factors Program (COMPETE) and the Regional Operational Programs of Lisbon and Algarve, aims to promote the dissemination of financing instruments that provide better financing conditions for Portuguese SMEs.

More recently, in April 2018, Portugal Venture launched the Portugal Global Tech Competitiveness Venture Capital Fund, aimed at investing in technology-based Startups, as a result of the application to the IFD-FC & QC-FCR-01/16 Public Tender, financed by the Competitiveness and Internationalization Thematic Operational Program (Compete 2020) and the Alentejo regional operational program (PO Alentejo) and managed by the IFD - Financial Institution for Development, ie this € 10.8 M Fund is leveraged by 50% Capital and Near Capital Fund (FC & QC), co-financed by Compete 2020 and PO Alentejo.

It should also be noted that Portugal Ventures does not manage funds leveraged by the European Investment Fund because Portugal Ventures is an operator of a public nature and "captive" for purposes of classification of ineligibility for co-financing of funds by the EIF.

Within Portugal 2020 there are currently three types of instruments for SMEs, financed by Compete 2020 and the Regional Operational Programs of the Continent: Venture Capital Funds; Business Angels and the 200M Co-investment Fund. Regarding the typology of venture capital funds, 15 venture capital funds were set up with around €200 million to invest. 60 investments in SMEs have already been approved, with a total amount of €43 million and an expected increase of around 724 jobs.

Contact details

Organisation Portugal ventures

Telephone +351211589100

Email contact@portugalventures.pt

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

6.10 Conclusions

By evaluating the nine case studies registered by SmartFI project partners, some useful conclusions and common elements can be pointed out:

- ✓ Providing microfunding (microloans) and business development services at the same time, this means financial and non-financial support, is a very important success factor for the SMEs to avoid fragmentation of services and to offer a holistic support to SMEs.
- ✓ User-centered approach is needed when drafting an FI.
- ✓ During economic crisis, FIs provided micro and small enterprises with necessary liquidity, letting them grow.
- ✓ In case of re-introduction of a successful FI in the market, stakeholders must take into consideration that a fast and unvarying design of the FI reassures effective disbursement of the funds to the real economy.
- ✓ SMEs need to find concentrated information about available Financial Instruments.
- ✓ FIs should follow a market centred governance with clearly and segregated responsibilities among the involving actors.
- ✓ A conducive regulatory framework is a prerequisite for successful implementation of financing close to market standards.
- ✓ When it comes to the activation of private capital in parallel with public funding, clear procedures of co-investment should be described.

7. SUGGESTED METHODOLOGY TO ADDRESS A CHALLENGE RELATED TO FIs

7.1 Rationale

The methodological guidance structured below into three phases, with associated workflow templates, is meant to support your institution to run Design Thinking Methodology aimed at improving the efficiency and minimizing the risk of financial instruments for innovation at SMEs.

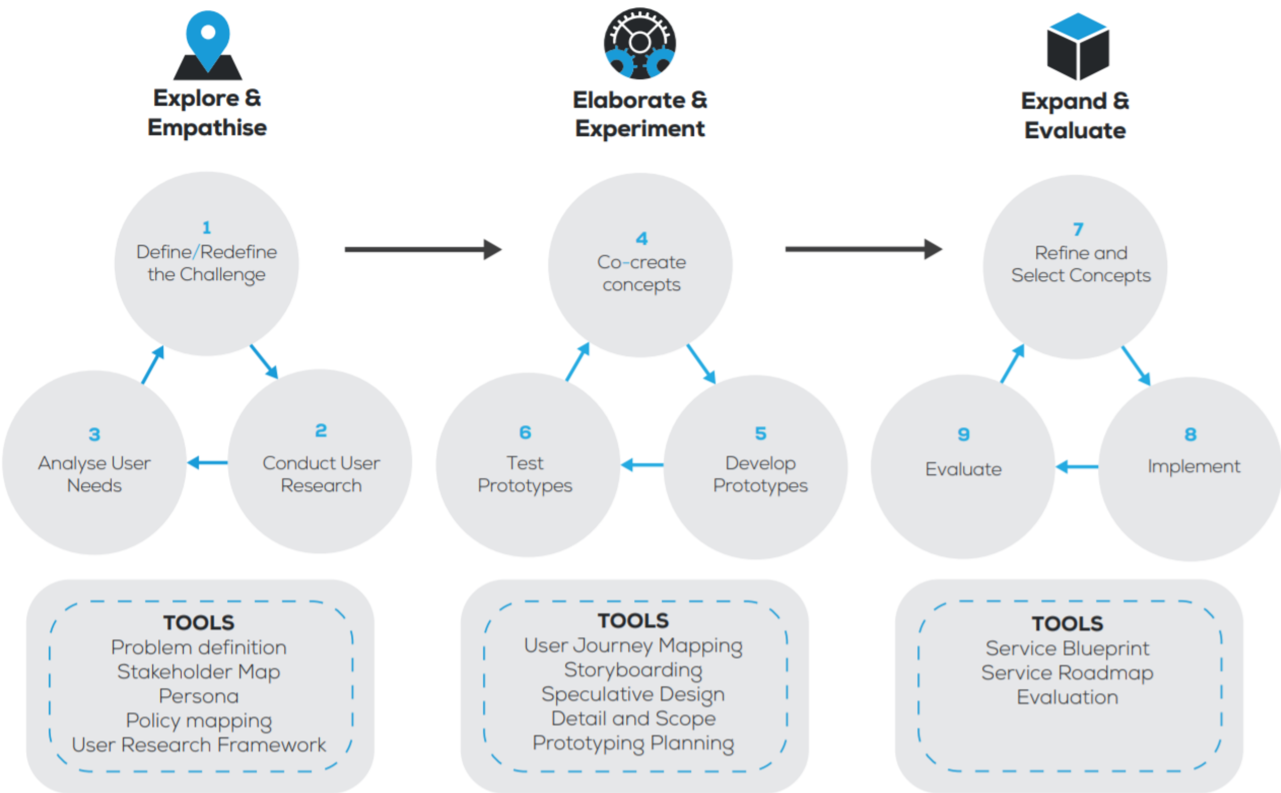

Figure 1.Design Thinking methodology steps

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Within the workflow, you will find a reference to a selection of tools and methods usually used in product development and process management as a way to improve user experience and increase user-friendliness. Therefore your activity based upon this guidance will tackle the issues of:

- creating user-friendly financial instruments,
- understanding the needs of stakeholders and beneficiaries,
- mapping stakeholders experiences and identifying their satisfaction concerning financial instrument(s),
- finding the gaps and improving the delivery of financial instruments,
- testing the new / improved financial instrument before its launch;

by putting the end-users at the centre of the process of improvements.

Phase 1 is focused on mapping the ecosystem of financial instruments available in your region / country and defining the problem(s) to be solved. Teamwork is needed here to prepare for interactions with external stakeholders. Searching for insights from experts in the field is also a part of the workflow.

Phase 2 is about beginning to develop concepts and prototypes for solutions. It is the most interactive part in which your stakeholders are involved in proposing changes and innovations in existing financial instruments to improve user experience. They will describe what they need to change, how they need to change it and what the outcome should look like. The phase includes lots of storyboarding to visualize bottlenecks and improvements concerning the scrutinized financial instrument(s) and related user experience.

In Phase 3 the stakeholders decide on what they want to pilot in the financial instruments ecosystem. You will be pitching them to gather feedback and to plan a roadmap for the future. The elaborated blueprints and roadmaps should go through iterations of review before the final service is tested in the pilot.

7.2 Phase 1. Explore & Empathize

In Phase 1 your team should better understand issues to be tackled throughout your whole activity. To design improvements you need to dive deep into the nature of the challenge. The workflow below will guide you.

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<table>
<tr><th colspan="3">WORKFLOW 1: Phase 1. Explore & Empathize</th></tr>
<tr><td colspan="2">Aim of Phase 1:</td><td>To develop a clearer understanding of the problem with the defined challenge, stakeholders, outcomes and metrics that can be taken forward through the process.</td></tr>
<tr><td colspan="2">Objectives of Phase 1:</td><td>To determine the scope of your design activity.
To develop an opening question that will become the starting point for the process.
To provide a list of relevant stakeholders.
To identify expected outcomes, including policy impact.
To propose a series of key metrics that success can be measured against.
To align the internal team.</td></tr>
<tr><td colspan="2">Tools to be used:</td><td>Stakeholder and policy mapping (self-developed)
Problem Definition Tool (To be displayed as a shared screen or Jamboard / Miro and filled-in during online sessions; to be printed in large format or mirrored on the pin wall / whiteboard during onsite sessions.)
Interview Scenario (self-developed)
Persona Tool</td></tr>
<tr><th>Step</th><th>Method</th><th>Actions</th></tr>
<tr><td>1.1.
Setting the scene</td><td>Desk research

Recommended as a joint work of a team to better use a pool of knowledge available in your organisation. Sharing documents in the cloud is recommended for integrity.</td><td>– Involve your team in sketching the helicopter view of the landscape of the financial instrument in your region / country. Search information upon "What is available at the moment?", "What is expected to be launched in the nearest future?", "Are there any discontinued approaches / instruments? Why?", "Who (institutionally) was, is and is to be involved in building the financial instruments ecosystem?" Write a concise narrative concerning the results of your scrutiny.
– Use any visualisation software to map stakeholders who have an impact on and are impacted by financial instruments. Present key linkages among them as well as with other areas and user groups that may impact the efficiency of financial instruments.</td></tr>
</table>

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WORKFLOW 1: Phase 1. Explore & Empathize		
		– Use any visualisation software to map policies related to financial instruments. Put signal notes to pinpoint focal points or key restraints (eg. "The national agency co-finances seed funds having a ticket of EUR200K" or "Support targeted at SMEs in regional smart specialisations"). – Share the results of your work with the team before Step 1.2. and afterwards with the partners involved in Phase 2.
1.2. The opening	Brainstorming workshop of the internal team. *Organised onsite or online, approximately 1 hour. If needed can be organised jointly with 1.3 workshop (incl. coffee break).*	– Use a flipchart, whiteboard or any virtual whiteboard to write down ideas relevant to FIs that could be impacted by the organisation and its stakeholders. – Choose the most relevant scope of your design activity. You may use criteria of urgency, feasibility, applicability etc. to decide upon relevancy. – Address your challenge by creating a navigating question "How might we…?" eg. "How might we properly guide startups to choose the most suitable financial instrument?". Write the proposed question down in the Problem Definition Tool template. Re-iterate if necessary.
1.3. First approach	Brainstorming workshop of the internal team. *Organised onsite or online, approximately 2 hours. If needed can be organised jointly with 1.2 workshop (incl. coffee break).*	– Display the Problem Definition Tool template with the challenge written on it. – Scrutinise more upon the nature of the challenge by using the "Why is it important?" question or by using the Five Whys Technique [moderator paraphrases the initial answer(s) approximately five times into questions starting with "Why..."; with each successive answer the participants move from rather simple answers towards underlying motivations and root causes]. List the results on flipchart / whiteboard / Jamboard / Miro. – Confirm / re-edit your challenge.

WORKFLOW 1: Phase 1. Explore & Empathize		
		– Think about stakeholders (user groups / clients) that are relevant for your challenge. Provide their classification / segmentation in the "stakeholders" fields of the Problem Definition Tool. – Share your thoughts on the rationale of / justification for undertaking the challenge. List the expected outcomes in the relevant fields of the Problem Definition Tool.
1.4. Research	Interviews with the stakeholders. *Organised online or in person. Try to reach at least 1-2 representatives of every stakeholder group for a 30-60minute long interview.*	– Beforehand think of the way you are going to present the challenge to the interviewee. Prepare a short statement eg. "Together with our partners from different EU countries we are working on better access to FIs. In our country, we would like to address the challenge of... We find it important because... We see your role as..." etc. – Afterwards, decide upon the opening question and list the questions you would like to find answers for. You will mainly ask about motivations and experiences concerning the challenge: the reasons, the interest, the expectations vs. reality (positive & negative experiences), the golden triangle of quality – cost – time, the ideas for improvement. Semi-structure the interview scenario concerning the profile of every stakeholder group. Avoid closed questions that could be answered with a simple "yes" or "no". Your questions should inspire interviewees to elaborate on specific topics. Try to avoid leading questions in which you propose a specific assumption or hypothesis and, thereby, lead your interviewee to a certain answer. – Prepare the paperwork (if needed). Propose the templates of participation consent, recording consent, GDPR information sheet and consent, Non Disclusoure Agreement (NDA), etc. – If possible, use sampling techniques to select the interviewees.

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WORKFLOW 1: Phase 1. Explore & Empathize		
		– Conduct the interviews. During the interviews, ask open and non-leading questions. Consider using the Five Whys Technique again, to go deeper. Use the situational context and ask interviewees to demonstrate specific activities or artefacts they are talking about; saying "show me" in a contextual interview is very useful, as people often say something different from what they do. Try to collect as much unbiased raw data as possible. Follow your interview guidelines if you conduct semi-structured interviews, but be open to following other directions your interviewee might take as well. Establish trust. Use clear language, avoid slang or technical terms. Give interviewees time to think and do not urge them to answer right away. Listen carefully and paraphrase (paraphrasing describes a technique where the interviewer repeats in his own words what the interviewee has just said; this helps interviewers to check if they correctly understood or if they only heard what they wanted to hear; paraphrasing also gives interviewees more time to reflect on what they just said and elaborate more on it). – After the interview organise the gathered material (index your notes, transcripts, photos, audio and video recordings, and collected artefacts). Write down a summary that includes your key findings, as well as raw data to exemplify these, such as quotes, photos, scans or even videos.
1.5. Review workshop	Follow-up workshop of the internal team. *Organised onsite or online, approximately 1-2 hours.*	– Display your Problem Definition Tool template. – Share observations from your research (interviews). – If needed, update the challenge, stakeholders and outcomes. Propose metrics to be used to monitor the expected outcomes. – Have an initial brainstorming over the Persona Tool – pre-define personas whose profiles should be developed in further works within Phase 2.

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WORKFLOW 1: Phase 1. Explore & Empathize		
		– Agree upon the problem definition, explain possible misunderstandings and... get ready for Phase 2.

7.3 Phase 2. Elaborate & Experiment

In Phase 2 your stakeholders will track the users' experience within the challenged service to find out which touchpoints should be improved. Knowing so, you will co-create ideas for mastering the service in the future. The workflow below will guide you.

WORKFLOW 2: Phase 2. Elaborate and Experiment	
Aim of Phase 2:	To understand and improve users experience throughout the challenged service delivery.
Objectives of Phase 2:	To interpret users' needs and requirements for the service. To understand users' behaviour, concerning the use of the service. To measure users' level of interaction with the service. To identify all stages within the service delivery. To identify hot-spots of particularly good and particularly poor interaction experiences within the service delivery. To gather ideas on issues to be improved. To co-create ideas from improvements. To reinvent users' journey experience.
Tools to be used:	Persona Tool User Journey Map Idea Portfolio (All to be displayed as a shared screen or Jamboard / Miro and filled-in during online sessions; to be printed in large format or mirrored on the pin wall / whiteboard during onsite sessions.) Prototype Plan (self-developed)

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WORKFLOW 2: Phase 2. Elaborate and Experiment		
Step	Method	Actions
2.1. Describing personas	Workshop with stakeholders. *Organised onsite or online, approximately 1 hour. If needed can be organised jointly with 2.2. workshop (incl. coffee break).* *Participants (6-12 persons) should come from different groups of stakeholders. Preferably they should be different from those who participated in the research interviews.*	– Appoint 1 facilitator who will navigate the workshop (in advance). – Welcome the participants, present the aims of the whole process and share some key insights into the results of your research. – Set up a quick brainstorming to find out who is / who are the typical user(s) of the challenged service. – Split into breakout groups according to the number of typical users. – Display the Persona Tool template and instruct the participants to describe a selected typical user with the use of the tool. Facilitate the group to achieve the selection of personas somehow reflecting your expectations listed in Step 1.5. Participants should use the most common features of the end-user that has come up from your research and include their observations as well. The Persona Tool enables a more rounded impression of the user. Each section is filled in with information about users, their background and experiences. Encourage the participants to humanize the described users. They might create an image of the user, use drawings or any other creative approach. Sliding scales will be helpful to describe users experience. – Wrap-up the works with short presentations. Ask the group what would make the perfect service for all identified personas.
2.2. Mapping the users' journey	Workshop with stakeholders. *Organised onsite or online, approximately 1 hour. If needed can*	– Appoint 1 facilitator who will navigate the workshop (in advance). – Welcome the group and offer a helicopter-view of the personas identified in 2.1. workshop. – Display the User Journey Map template and guide the participants through it (fill in the template

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WORKFLOW 2: Phase 2. Elaborate and Experiment		
	be organised jointly with 2.1. workshop (incl. coffee break). *The group should be the same as in 2.1. workshop.*	jointly). Use persona(s) from the previous workshops! Firstly, address the service touchpoints. Using post-it notes, break the service down as small as you can. Then start mapping out your user's interaction experience. Rate it on a scale of 1-10 (1 being poor and 10 being positive.) Then join up the dots. If there are multiple journeys just colour code it. The timescale could be the amount of time needed to perform you needed to perform the service or legal timeframe. – Wrap-up the works by pinpointing the touchpoints that received the lowest rating. They will become priority subjects of ideation.
2.3. Re-inventing the users' journey	Workshop with stakeholders. *Organised onsite or online, approximately 3 hours.* *Only in duly justified cases can be organised jointly with 2.1. + 2.2. workshops.* *The group should be the same as in 2.1. + 2.2. workshops.*	– Appoint 1 facilitator who will navigate the workshop (in advance). – Welcome the group and briefly remind the result of 2.1. and 2.2. workshops. Especially focus on the service touchpoints that received the lowest rating. Explain to the participants that the group gathered to co-create ideas for improvements. The User Journey Map can be displayed in the background. – Use a variety of ideation techniques to create ideas for the improvement of the challenged service, eg. Brainstorming: make the ideas flow, list them on any real or virtual whiteboard / flipchart, use a timer to speed-up the process and move from one touchpoint to another – so that all issues are covered. 6-5-3 (6 people, 5 minutes, 3 ideas): place every touchpoint on a separate flipchart or establish a series of virtual flipcharts (documents / Jamboards / Miros). Set up a line of participants or breakout groups so that every participant / group starts at one of the flipcharts. Every participant / group has 5 minutes to write 3 ideas on each board. Once the 5 minutes are up, the

WORKFLOW 2: Phase 2. Elaborate and Experiment		
		participants move onto the next station and build 3 new ideas to add to the 3 previously written. – When ideation is completed, evaluate each idea. If there are many ideas identified, cluster them (but beware of making the clusters too general!) and / or ask the participants to vote for the most relevant ideas (every participant can vote for up to 3-5 ideas, the winning concepts are shortlisted). Afterwards, use the shortlist and discuss with the participants the levels of impact and feasibility of every idea. Having done so, draft the Idea Portfolio, by using a graph. The graph consists of a vertical axis for feasibility and a horizontal axis for impact. Evaluate all ideas and place them on the Idea Portfolio tool according to their impact and feasibility. All ideas/ concepts that are placed in the upper-right-hand corner of the Idea Portfolio will be developed as for your prototype. – Use the selected ideas to sketch a Prototype Plan. It might be done in a more visual manner (cartoon, flowchart, PERT-like-diagram) or writing (fiche stating the underpinnings of the prototype, main elements, core processes, typical milestones, parties / departments involved etc.).

7.4 Phase 3. Expand & Evaluate

After the Elaborate & Experiment phase, you will make use of the predominant ideas and design the expected improvements. The workflow below will guide you from re-design to prototype testing with end-users and FI providers.

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<table>
<tr><th colspan="3">WORKFLOW 3: Phase 3. Expand and Evaluate</th></tr>
<tr><td>Aim of Phase 3:</td><td colspan="2">To re-invent the challenged service delivery.</td></tr>
<tr><td>Objectives of Phase 3:</td><td colspan="2">To develop a deeper understanding of the service.
To visualize every step of the improved service.
To identify what the user's perspective of the service is.
To identify the key roles and responsibilities of staff that are visible and not visible to the user.
To illustrate all assets (e.g. marketing materials, internal documents or systems).
To test and evaluate with users and providers, the prototype which visualizes the improved service.</td></tr>
<tr><td>Tools to be used:</td><td colspan="2">Service Blueprint Tool (To be displayed as a shared screen or Jamboard / Miro and filled-in during online sessions; to be printed in large format or mirrored on the pin wall / whiteboard during onsite sessions.)
Service Roadmap / pitch deck (self-developed)</td></tr>
<tr><td>Step</td><td>Method</td><td>Actions</td></tr>
<tr><td>3.1.
Re-designing the service</td><td>Workshop with the service provider.
Organised onsite or online, approximately 2 hours. Approx. 6 participants. It is recommended that the participants had previously participated in Phase 2.</td><td>– Appoint 1 facilitator who will navigate the workshop (in advance).
– Welcome the participants, present the aims of the current stage and a short overview of what happened so far.
– Present a list of touchpoints and identified solutions. Displaying the filled-in Idea Portfolio and/or Prototype Plan might be helpful.
– Display the Service Blueprint and fill in the template jointly. As a group, go through the service step by step. Think about what interactions happen and discuss all the touchpoints, experiences and processes. Apply the invented ideas to replace the existing bottlenecks. Look at the resources and actions needed to deliver each statement of the service. Think of what happens before, during and</td></tr>
</table>

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WORKFLOW 3: Phase 3. Expand and Evaluate		
		after accessing the service. Imagine what is seen by the users? Re-iterate if needed. – After the workshop, prepare the Service Roadmap based upon the Service Blueprint. The Service Roadmap is a tool to plan the service execution over time, from a minimum set of functionalities to delivering the full experience.The pitch should be formatted as a slideshow, no longer than 3-5 slides.
3.2. Getting feedback to arrange for testing / launch	Workshops with stakeholders. *Organised onsite or online, approximately 1.5 hours.* Interviews with the stakeholders. *Organised online or in person. Try to reach at least 1-2 representatives of every stakeholder group for a 30-minute long interview.*	– Pitch your workshop participants / respondents with the Service Roadmap. – Discuss the prototype with your workshop participants / respondents. – Refine the prototyped Service Blueprint and Service Roadmap using the valuable information from the users and providers of the challenged service. – Arrange for pilot testing or (if mature enough) set up the implementation agenda with relevant partners.

Now keep fingers crossed for successful implementation and contribute to the process!

The presented workflows might be modified according to the characteristics of the issues analyzed with your team and the composition of your workshop groups. Searching for further methodological guidance and toolboxes in publications and tutorials is always a good idea. You may find very useful bibliography and links in Chapter 10.

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8. PILOT ACTION IN PARTNER REGIONS

As part of the project the partners decided to test both Design Thinking methodology and the Design Options Paper.

Each one of the partners developed a pilot Activity following the methodology explained in the previous chapter.

The Pilot Testing was a hands-on experience on User-Centred Design Tools for Financial Instruments, that also set the basis for building skills of the funding agencies staff.

Each partner used the methodology and the tools developed to test one financial instrument from its regional or national Operational Programme for Jobs and Growth. During a co-creation workshop, each partner, along with SMEs that were benefited by the financial instrument and staff of the funding agency, created a Persona and the Customer Journey Map of the instrument. Each partner also organized a second workshop in order to find solutions that can increase the efficiency and the satisfaction of the users by the instrument.

8.1 Short Description of the Pilot Action in Greece

KEPA, the Greek partner, implemented the Pilot Action in order to test the methodology and the tools developed by the project, to tackle a challenge related to Financial Instruments (FIs). Being an organization that aims at enhancing the competitiveness of Greek SMEs and as an active part of the ecosystem, KEPA identified an arising challenge that Startups face nowadays, which is the difficulty to select the right financial instrument that will help them to develop and grow.

The pilot action was deployed in three phases. Each phase is briefly described below and a more in depth analysis (step by step) follows.

- *Phase 1 – Explore & Empathize:*

To understand and define the problem to be solved

  - A preliminary research was conducted for screening and information analysis, so that KEPA team could identify the challenge.
  - As the first step, a primary research was carried out, including in-depth interviews and a focus group with Startups, investors/fund managers and incubators/accelerators.

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- *Phase 2 – Elaborate & Experiment:*

To ideate (develop concepts and prototypes) for solutions to the problem identified

  - An online workshop was organised, during which the participants validated the key insights and further analyse the initial challenge into sub-challenges.
  - During this online workshop, ideas were also extracted to solve the challenge and to build a prototype to be tested in the next phase.

- *Phase 3 – Expand and Evaluate:*

To prototype and test the solutions

  - KEPA team formed the final prototype.
  - A final online meeting was organised, where stakeholders tested and evaluated the prototype. KEPA team collected the feedback and reformed the final prototype, including stakeholders' input.

Aims / Objectives

The main goals of the pilot, using Design Thinking methodology were to:

- Understand the development stages of a Startup
- Identify all the touchpoints of a Startup with public authorities, supporting organizations and financial instruments
- Map stakeholders who are involved in the development stages of a Startup
- Define all the available options of financial instruments in Greece
- Understand the Startup's needs and expectations when searching for the suitable financial instrument
- Co-create ideas and propose possible solutions by engaging all stakeholders
- Test ideas that will solve the challenge
- Design a final prototype that will be implemented in full scale.

In depth analysis of the phases, as followed during the pilot implementation

Phase 1 – Explore & Empathize:

Explore

KEPA, as an active part of the ecosystem, since 1991 and as an organisation that works on SMEs competitiveness, is capable to understand the market and its needs at a highest level. Additionally, KEPA is a member and the financial administrator of OK!Thess pre-incubator, where a series of great importance projects for Startups and the ecosystem are being implemented. Such an experience, helped KEPA team to identify the problem faced by Startups and set the challenge of the pilot right from the beginning.

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A preliminary research was conducted online, following the COVID-19 restriction orders in Greece, to identify as much information about the ecosystem and the involved stakeholders, as possible. Furthermore, KEPA team set up and organised the next steps of the pilot.

Define the challenge

Using Problem Definition tool, out of the Design Thinking methodology, the team developed "how might we" questions and set up the challenge, aiming to address the needs of Greek Startups and also help the stakeholders implement a solution that promotes the ecosystem's growth. Moreover, KEPA identified all relevant stakeholders that took part in the process.

Challenge:
"How might we properly guide Startups to choose the most suitable financial instrument"

Stakeholders involved were:

- Startups
    - Having been funded
    - Not being able to get funded yet
- Funds:
    - Venture Capitals
    - Angel Investors
    - National funding authorities
    - Financial institutions
    - Hellenic Business Angels Network
    - Crowdfunding funds
    - Microloan funds
- Incubators/Accelerators
- Municipality
- Universities
- Regional Authorities
- Technological & innovation Centers

Empathize

For the completion of the primary research, KEPA organized eleven online interviews, due to COVID-19 restrictions, and one focus group with startups & stakeholders of the process, in order to identify the key insights of every *persona* which was involved.

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In order to set the context for the interviews and the focus group, KEPA team prepared a series of questions for Startups and stakeholders:

Questions for the Stakeholders:

- Which funding sources are available for a Greek Startup?
- Which is the percentage of successful funding of Startups in Greece?
- How difficult is for a Startup to find a funding source? Which are the obstacles of reaching one?
- Which are the guidelines for searching a fund and where can a Startup find them?
- Is there lack of a tool that will help Startups to choose a suitable financial instrument?
- Do you have in mind any good practice in Greece or abroad, about choosing a suitable financial instrument?
- Can you please explain the path of guidance to the most suitable financial instrument for every Startup?
- Is the process of finding a suitable financial instrument a result of the growth stage of a Startup? If yes, please define.

Questions for the Startups:

- Which is the growth stage of your business idea?
- Do you know which are the available financial instruments for a Startup?
- Are the new financial instruments being communicated to businesses like yours? If yes, where did you find information about them?
- Did you ever conduct a research to find a suitable financial instrument for your business? If yes, please describe the process.
- How difficult was the process of reaching fund-raising?
- Does fund-raising depend on the Startup?
- In your opinion, which are the needs of a Startup to choose the most suitable financial instrument?
- Can you please name what is missing towards better support of Startups in Greece?

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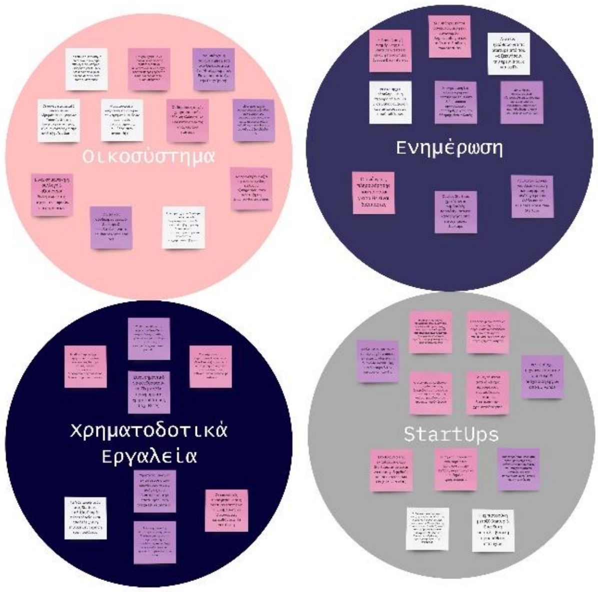

Figure 2: Key insights grouped in 4 thematics

In sequence to the categories of the research results, the key insights were separated in four groups, as follows.

Ecosystem:

- The local ecosystem is still immature because a) there is no interaction between Stakeholders & b) Stakeholders are not extrovert enough
- It would be useful to have an operator who collects & disseminates all the information about the Stakeholders of the Ecosystem
- Mutual understanding is important within the Ecosystem: "We build the Entrepreneur, not the Business itself"
- Synergies among Educational Institutions and Entrepreneurship Support Bodies are necessary for the emergence of new Startups
- There is a need of consistent detection of innovative project ideas through the ecosystem
- Public authorities use strict language and can't understand the needs of Startups
- The cooperation between all ecosystem actors for the preparation & guidance of Startups in every stage of their growth is necessary
- It is important to collect & utilize data, for example start-up registers
- The main link between Startups & investors are Incubators / Accelerators

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- Startups' participation in Hackathons & contests is a first step for networking and organizing their next business steps

Communicating the message/news:

- The main source of information for Startups about FIs is personal research & Internet
- There is lack of information points, in order to collect and organise information for all FIs that are available for Startups
- There is also lack of path and guidance in reaching a FI by a Startup
- Lack of high-level listing of FIs & their requirements is identified.
- Lack of information & guidance for Startups, about National & European support / funding programs is evident
- Additionally, there is lack of information for Startups, about where can ask for help (e.g. guidance, know how, legal advice, tax advice, etc.)
- News and information about FIs are not organised
- New Startups need tips, examples and guidance from successful Startups
- There is need for gathered & categorized information depending on the industry and the Business Model of Startups

Financial Instruments:

- National funding programs do not favor Startups (eligibility, liquidity, industry diversification & business model)
- FIs are mainly aimed to Deep Tech business model companies
- In most cases FIs (besides MicroFinance) favor software-based business ideas over hardware ones
- It is important more than one FIs to be chosen, in order a Startup to be funded
- VCs require by Startups: flexibility to modify the business model, proven customer database and a successful product added value in the market
- Investors lack in extracting the needs of Startups and also in how to evaluate an early-stage business
- Investors additionally offer to Startups: 1) Business development tips, 2) Financial directions, 3) Networking
- Investors obligations are to monitor, guide the Startups and also select the most prosperous time for investment

Startups:

- Lack of entrepreneurial skills lead to growth obstacles and difficulties to understand FIs

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- Every Startup, before proceeding to any application for an FI, must identify its product added value, target group, business model, growth stage, etc.)
- It is recommended for every Startup to invest firstly their self-capitals (3Fs) and then reach an FI
- Startups have to promote information that make them stand out from the rest of the market, in order to attract investors
- Large cities offer more opportunities for networking and fund raising
- Lack of knowledge in submission & administration of EU Funds
- The requirements of FIs are necessary to be added in the context of Startups training (BAs, VCs, etc.)
- High percentage of bureaucracy is noticed in national FIs in Greece
- Startups seem to fall behind in implementing their business model, upgrading their product, promoting the added value of it and also in networking
- The key elements of a successful Startup are: 1) to create a productive team who shares the same mindset and skills and aims to joint goals, 2) to have advanced communication skills, 3) to build a strong MVP, 4) to participate in pilot actions with key partners from the market
- Trust is the key to success between a Startup & an investor

Phase 2 - Elaborate & Experiment:

Elaborate

The next step, in phase 2 of the pilot action, was to organize an ideation & prototype workshop, where stakeholders extracted ideas that led to the design of a prototype.

Online Ideation & Prototype workshop steps followed were:

- User research key insights presentation
- Brake down of the challenge ("How might we...?" tool)
- Classic brainstorming method
- Storyboard prototyping tool

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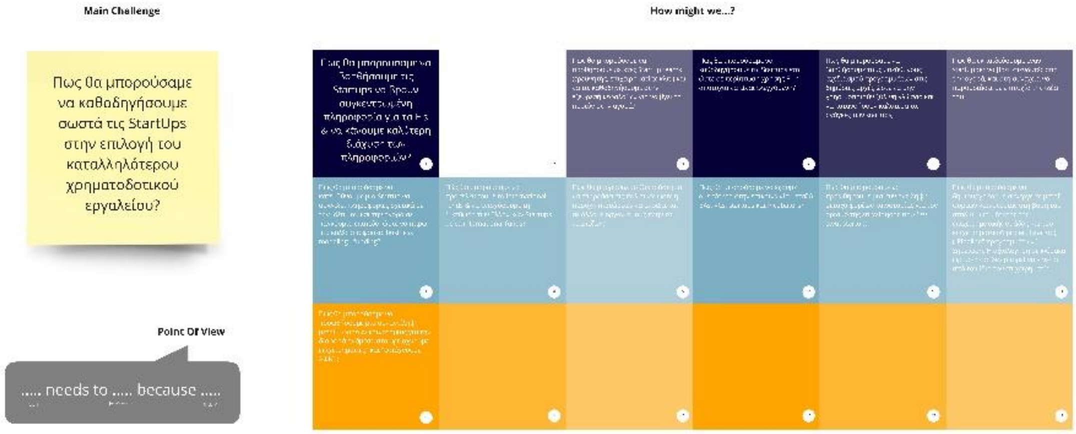

Figure 3: Main Challenge addressed and "How migh we..?" answers to suggest possible solutions

Experiment

Ideation:

The online workshop took place on Miro platform, where 7 participants from Startups & stakeholders evaluated the key insights of the Empathize stage and also created sub challenges in order to focus on a specific one.

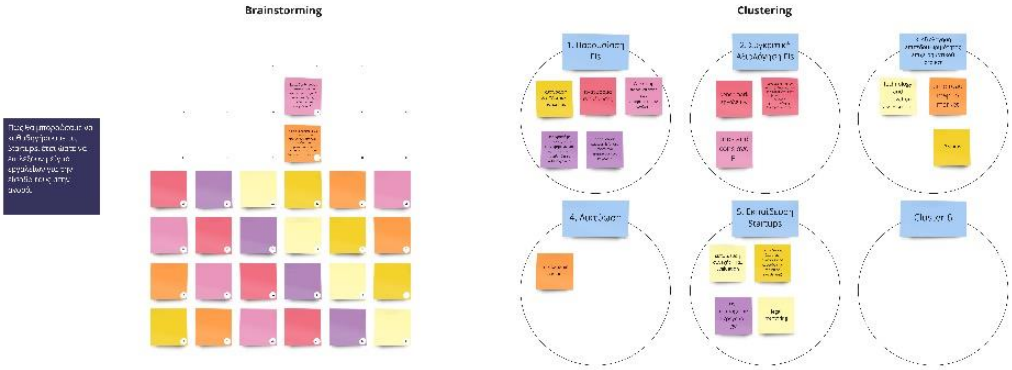

Figure 4: Ideas extracted and then clustered into pillars, during the ideation workshop

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The participants of the workshop had the opportunity to vote for the most valuable "how might we" question and proceeded to Ideation stage. KEPA team, as a process facilitator, used the classic brainstorming ideation method to address the voted HMW - "How might We" tool. In addition, the facilitators team, aimed at extracting as many ideas by the participants as possible and then guided them to cluster their ideas, in order to build on pillars before the prototyping stage.

<u>Voted sub-challenge:</u>

"How might we properly guide Startups to choose the most suitable FI, by providing them a combination of tools and methods, at an early stage of their growth?"

Ideas were clustered before the Prototype development offering sets of proposals, as follows:

- Presentation of FIs:
    - To list FIs
    - To create an online platform including available FIs
    - To organise presentation workshops for FIs
    - To list FIs and to match them with businesses most suitable to apply
    - To present success and failure stories of Startups for every available FI

- Evaluation of FIs:
    - To measure the performance of every available FI
    - To analyse the Pros & Cons of every available FI
    - To create an evaluation tool for SMEs in order they achieve compatibility with available FI

- Evaluation of the level of entrepreneurial stage for every business project:
    - To assess the technology and innovation status of each Startup
    - To evaluate the Intellectual property (IP) status of business projects

- Networking:
    - To create a Greek network for the Startup Ecosystem

- Training for Startups:
    - To offer continuous training (TRL, evaluation etc.)
    - To offer training in basic financial terms, in risk management, in psychology and in legal mentoring

Prototype

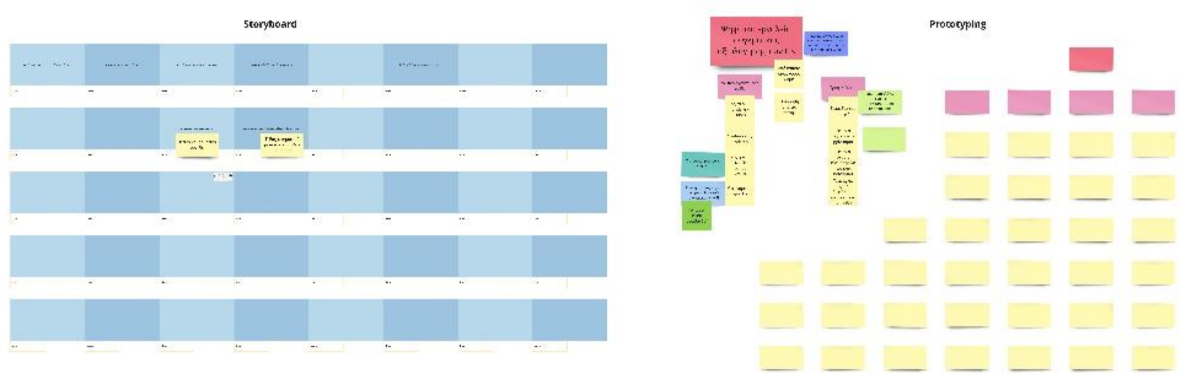

Figure 5: Prototype development through the use of storyboard tool

During Prototype development, KEPA team guided the workshop participants to use the pillars formed in the previous stage so that they design a prototype, using the" Storyboard tool". Following a long discussion and exchange of views about the process that it should be built to provide Startups with proper guidance on most suitable FI, the participants concluded with the most effective solution· to design an online platform that will concentrate all information needed.

Phase 3 – Expand and Evaluate:

Expand

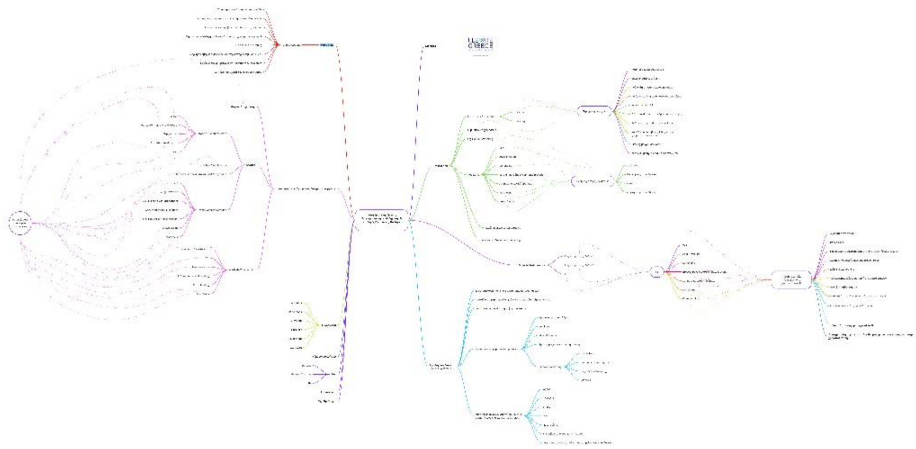

Figure 6: The formulation of the online platfofm tree

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The facilitators of the process gathered the information that came up from the "Storyboard tool" and formed the online platform tree. KEPA aimed at addressing actually the early stage of designing a website map.

The online platform tree presents the main menu of the website and it is separated in tabs & sub tabs. The user can easily navigate on the platform following a logical and well-organised tree structure that redirects him/her from the first tab to a secondary according his/her choice each time. In the analysis that follows, a description is given through step by step choices of different tabs that prioritize secondary tabs following a certain tree hierarchy.

	Menu: Tabs
Startup's business development & FIs selection Online Platform	Home Page
	About Us/Goals
	News/Events
	Blog
	Startups
	Mentoring
	Financial Instruments
	Project Evaluation
	Contact Us

Tab: Home page

The main page of the platform where the domain name will direct the user, presents what the website offers.

- All the available FIs
- Benchmarking of the available FIs
- Pool of Startups in Greece
- Mentoring information & business development guidance per project
- Mentoring on demand
- News of the ecosystem, seminars, workshops, conferences

- Open calls for applications in Hackathons & Incubators
- Networking with different actors of the ecosystem

Tab: About is/Goals (Ecosystem & Partners)

The tab "About us" is separated in three different subtabs. In these subtabs the user easily finds contact information of every actor of the ecosystem and also the main goals of the online platform.

- Website regulator
- Greece
    - Ecosystem Actors
        - Municipalities
        - Technological and Innovation Institutes
        - Regions
        - Universities
        - Etc.

- Incubators/Accelerators
- Public authorities
- Funding Actors
    - Venture Capitals
    - Angel Investors
    - National funding actors
    - Financial Institutions
    - Hellenic Business Angels Network
    - Crowdfunding
    - Microloans
- Incubators/Accelerators
- International Funding Actors
    - EU Commission & Funding
    - Venture Capitals
    - Angel Investors
    - Financial Institutions
    - Crowdfunding
    - Microloans

Tab: News/Events

Open calls for applications, several news of the ecosystem and announcements for upcoming webinars, hackathons, conferences, seminars and workshops are presented in the tab "News/Events".

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- News
- Events
  - Webinars
  - Hackathons
  - Conferences
  - Seminars
  - Workshops

Tab: Startups

The "Startups" tab automatically redirects the user to the website "Elevate Greece", the official platform and leading resource for in-depth information on the Greek Startup Ecosystem.

Tab: Mentoring

The first out of three most important tabs of the platform is "Mentoring". This is because, in this part of the website, users can find actors who can support their project growth and also mentor them in early stage or later on. Furthermore, the users can find best practices and case studies so that they avoid mistakes of the past or reform & reevaluate their strategy. Lastly, online webinars on demand will be available for training in different modules.

- Incubators/Accelerators
  - Greece
  - Europe

    What they offer:
    - ✓ Self-definition of a Startup
    - ✓ Training entrepreneurial skills
    - ✓ Business model development
    - ✓ Training in communication skills
    - ✓ Pilot actions & collaborations with people of the same business sector/market
    - ✓ Analysis of available FIs
    - ✓ Mentoring and administration training in submission of an FI
    - ✓ Live pitching meetings with investors and funding actors
    - ✓ Networking with the market & investors

- Funding Actors
  - Venture Capitals
  - Angel Investors

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  - National funding actors
  - Financial Institutions
  - Crowdfunding
  - Microloans
  - EU Commission & Funding

  What they offer:

    - ✓ Business development consulting
    - ✓ Networking
    - ✓ Continuous Monitoring

- Business Consultants

  What they offer:

    - ✓ Self-definition of a Startup
    - ✓ Training entrepreneurial skills
    - ✓ Business model development
    - ✓ Training in communication skills
    - ✓ Pilot actions & collaborations with people of the same business sector/market
    - ✓ Analysis of available FIs
    - ✓ Mentoring and administration training in submission of an FI
    - ✓ Live pitching meetings with investors and funding actors
    - ✓ Networking with the market & investors

- Legal & Tax Advisors
- Good practices/Case Studies
- Webinars – On demand mentoring

Tab: Financial Instruments

In the second most important tab of the "FIs", the website visitor has the opportunity to choose the business sector of its interest and then explore the results of all available FIs. The results are separated in different actors as in the previous tabs. The users also have the possibility to make research in different FIs profiles and also compare them. Finally, a questionnaire could be available for every Startup to check on its own if it is compatible to an FI.

- FIs in different Business Sectors/categories
  - Venture Capitals
  - Angel Investors
  - National funding actors
  - Financial Institutions
  - Crowdfunding

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- Microloans
- EU Commission & Funding

FIs Profile:

- ✓ Description of the FI
- ✓ Pros & Cons per Startup according to its business stage/model
- ✓ Successful application examples
- ✓ Applicant requirements
- ✓ Duration of the FI implementation
- ✓ Starting and ending date of submission
- ✓ Contact information of the regulator
- ✓ Level of investment in terms of small or high risk

Additional capabilities:

- ➢ *Opportunity to compare two or more FIs*
- ➢ *Compatibility questionnaire for every Startup according to available FIs*

Tab: Project's Evaluation

Another platform option for every Startup or project team, is the "Project's Evaluation" tab which offers static information about business and project development, on demand training, or even profiling a business idea by a questionnaire. Users have the possibility to use tools which help them grow their project or business idea and also use a step-by-step method on how to build their own strategy and business growth plan.

- Profiling business idea questionnaire
- Entrepreneurial stages and level of business/staff maturity
- Design your business model
  - Business tools
  - Webinars
  - Video on demand
  - Blog – articles
  - Mentoring choices
    - Incubators/Accelerators
    - Business Consultants
    - Legal & Tax advisors
    - FI actors

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- How to build your business idea
    - Create a strong multifunctional team
    - Funds
    - Strong IP
    - MVP
    - Customer database
    - Added value of project's service/product
    - Know your competitors and business risk

Tab: Contact Us

In the last menu tab, "Contact Us", the user has the opportunity to send an email using a contact form or find all the available social media accounts of the platform.

- Contact form – email
- Social Media

For better internal communication, participants of the prototype workshop discussed a lot on the possibility to create "a members only" area on the platform where the user/ Startups' staff, can log In and receive some extra benefits.

Action Plan development within Prototype stage

KEPA team aiming at helping the platform regulator, designed an Action Plan in which all implementation steps are presented. The Action Plan, that will be assigned to a stakeholder who will be responsible for its implementation, is developed at two levels 1) Internal processes & 2) the online platform itself and every task of it.

The facilitator team (KEPA) set up three prioritized stages of implementing the project: 1) Collaboration within the ecosystem, 2) Implementation of the platform and 3) Continuous upgrade of the platform.

Level#1: Internal Processes

Action Plan Activities to be implemented under this level are:

- Promotion of collaboration between actors of the ecosystem, starting by signing an MoU
- Listing of Incubators/Accelerators
- Listing of available FIs in Greece
- Listing of available FIs Internationally
- Creating a redirection link from the platform to "Elevate Greece" website
- Promoting the online platform to Educational Institutions

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- Promotion of collaboration with mentors, business consultants, lawyers and accountants so that they are added on the platform
- Creation of training webinars
- Collection of case studies and good practices

Level#2: Online Platform

Action Plan Activities that satisfy this goal are:

- Listing of what the platform offers
- Listing of Startup needs
- Listing of training possibilities
- Creation of questionnaires for evaluation of a project stage and business idea
- Creation of a Blog
- Open a call for implementing the platform itself

Evaluate

Testing the prototype

The final step of the pilot action was to present the formed prototype to a stakeholder panel for evaluation. KEPA team organised an online meeting and gathered feedback of the participants in order to reform the final prototype. The presentation was divided in two parts, the first was about the online platform and the second one about the action plan on the platform's implementation.

Feedback and suggestions for every part of the platform and the Action Plan came up through fruitful dialogue of the Panel. They are summarized below:

1) Tab: Financial Instruments
    - It will be helpful for Startups to have some introductory guidelines for choosing the right FI
    - FIs can have different options for every Startup depending on their business stage

2) Tab: Startups
    - It is suggested to also use other options such as http://www.saintstartup.com

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3) Platform's services:
    - For sustainability reasons of the platform, two service offers for Startups can be created. The first one could be mentoring on a project idea, according to first business steps for free and then the team could buy a premium service where they will have extra mentoring sessions

4) Action Plan:
    - It is necessary different actors of the ecosystem to collaborate, because such a big plan is difficult to be implemented only by one regulator
    - Continuous testing with users and upgrading the platform itself is needed
    - The stakeholders who will implement the prototype, have to design a business model just for the platform itself

In conclusion, during the pilot action, KEPA team had the opportunity to test the proposed methodology of addressing a challenge related to financial instruments. Moreover, through this process, a final prototype came up – as a result of co-creation – which is meant to be made available to public actors and organisations that could collaborate in order to implement it in full scale.

8.2 Short Description of the Pilot Action in Poland

ARRSA is actively involved in the implementation of international projects and among others, it is also implementing projects related to the improvement in financial products for entrepreneurs and startups. ARRSA has identified a niche on the regional market in terms of the accessibility of equity-type instruments, their promotion and dissemination of the knowledge of the possibilities on how to get financed, what can be financed and where to look for the proper information.

Through the Pilot Action, ARRSA tried to improve the financial instruments market by designing user-friendly, clear procedures of equity-type investments with the use of European funds.

To conduct the pilot action, ARRSA used the methodology suggested in the SmartFI Design Options Paper.

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Phase 1. Explore & Empathize

Explore

The first phase of the pilot action process was based on desk research and ecosystem analysis – to define a challenge and gain knowledge about the most relevant actors of the financial ecosystem. In the first phase, ARRSA has also conducted in-depth interviews with the representatives of all groups identified during ecosystem mapping.

In the process of stakeholders' ecosystem mapping, ARRSA tried to indicate all relevant target groups, who's opinion was valuable for the purpose of the pilot action. Ecosystem mapping and challenge definition was made in the form of an internal brainstorming workshop. During the workshop, the Problem Definition Tool was used.

The problem that ARRSA chose to solve through „How might we" tool, is a composition of the following questions: 'How might we facilitate the process of designing FIs?'; 'How might we improve the process of providing equity-type investments with both financial and non-financial support?'; 'How might we promote FIs in the region?'

The information that interested ARRSA was:

- What stakeholders is the designer thinking of, when designing financial instruments?
- Who participates in the process from the side of demanders (clients) and suppliers (creators of the instruments)?
- What institutions are facilitating or can facilitate the process?

The creation of such a map gave ARRSA an overview of the status quo that exists in the region. ARRSA mapped relevant stakeholders of the ecosystem and defined a challenge to work on throughout the whole design thinking process.

Relevant stakeholders related to the financial market in the impact area of the Regional Development Agency in Bielsko-Biała were divided into several groups, taking into account different criteria:

Criterium 1: Public and private division

Public investors in the region are mostly related to European funding. In the scope of ARRSA's interest are: the Managing Authority of the European Funds – Marshal Office of Silesia Voivodeship and its supporting company Silesian Development Fund. These institutions are offering three types of instruments: loans, guarantees and equity. Seed and venture funds also exist in the region, operating as intermediaries and fund managers by using public funds. During the pilot action, ARRSA focused on the venture fund that the RDA(Regional Development Agency ARRSA is operating – Beskid Technology Accelerator, which is a follow up ***of TechnoBIT Venture***

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project, *implemented in the former financial perspective in the frame of Operational Programme „Innovative Economy and Technology Accelerator Gliwice", which is holding funds from National Research and Development Centre – Bridge Alfa funds. On the private side, various venture and seed capital funds and business angels can be indicated – operating either regionally or on the national or global scale – Inno Venture Partners.*

Criterium 2: Funding providers and users of the funds;

Criterium 3: Intermediaries and business support organizations;

Criterium 4: Local/regional entities and international institutions;

Criterium 5: Division related to the sector that the financial instruments are supporting.

Empathise

Having identified the relevant stakeholders, ARRSA conducted interviews with their representatives. We have chosen them according to the criteria set above and in relation to each part of funding process- from investors, through supporters to end-users. This gave ARRSA the total view of the funding scheme and was able to define the challenges and problems of each scheme, create tailor-made solutions in the further designing process and define a clear path of possible improvements.

Consequently, interviews were made by the representatives of SmartFi project team. Each interview was set up individually, preceded by proper preparation and research about the specific stakeholder. Due to COVID-19 pandemic and related restrictions, all interviews were done remotely, by phone or online platforms. Stakeholders with same competences, were combined in a group, and were interviewed in a joint session. This method of focus group relates to the Managing Authority of the European Funds in Silesia and Silesia Development Fund. The rest of the interviewees were questioned individually.

In total, 4 individual interviews and one focus group were organized, involving:

- Representatives of the Managing Authority and Silesia Development Fund,
- a representative of Beskid Technology Accelerator,
- a representative of a startup funded with the equity-type instrument,
- a representative of the company supported with loan and guarantee fund,
- a representative of the company using soft support services (like a business and market analysis, creation of business plan etc.) provided by business support organization.

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Each interview and focus group was made in accordance with the design thinking methodology indicated in the SmartFi Design Options Paper. Interviews included open questions, not implying answers, following the „5 whys" methodology. Each interview was conducted by two persons to ensure the best quality of notes and all information gathered and structured. The conclusion of each interview was structured in the same way.

Key questions asked to the interviewees were:

- What are the obstacles and pitfalls when using the financial instruments? (SDF, MA, Companies)
- Which FIs do you know? (Startup)
- In your opinion, are entrepreneurs interested in FIs? Why? (MA)
- What is your need for improvement in terms of FIs? (SDF)
- In your opinion, what is the main challenge for the implementation of FIs? (MA, SDF)
- In your opinion, is there enough support for high-risk investments in the region? (MA, SDF)
- Do you know any business angel network? (Companies)
- Do you know venture capital funds? (Companies)
- Do you consider yourself a startup?
- Do you think that there is a need for mentoring for innovative ideas?
- Is it difficult to find funding opportunities for your business ideas?
- Are you searching for funding opportunities on the regional market or globally?
- What, in your opinion, is the weak point of the FI market in the region?
- Do you know financial instruments available in your region?
- How difficult was it for you to get funded by a financial instrument? What was the most difficult part exactly?
- In your opinion, what should be changed in the process of getting funds when starting a new business?
- Did you get funded by a financial instrument? If yes, what was it and how did it it help your company?
- Where do you find information about funding possibilities?

The main conclusions from each interview are indicated below:

<u>Managing Authority of the European Funds and Silesia Development Fund – representative of the public investors' stakeholder group:</u>

- Hard to meet all bureaucracy related to European Funds.

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- Hard to make something user friendly having all those procedures to follow.
- Public funds usually are considered hard to apply for.
- SMEs and other beneficiaries of EU funds are used to the grants „mentality" – the first thing to do is to raise awareness about benefits from the usage of financial instruments.

Silesia Development Fund (SDF):

- A new instrument on the market.
- The need for promotion and dissemination.
- Creation of procedures – adjusted to the EU procedures but easier to meet.
- Raising private capital – a real challenge.
- Ensuring high quality of soft services.
- Different stages of development should be funded.

Beskid Technology Accelerato (BAT):

- Local equity.
- Promotion & dissemination are important.
- Importance of raising private capital.
- Complex approach – customer care at every stage of investment.
- High-risk investments should be more popular.

A startup funded with equity:

- Mentoring from the side of an equity fund.
- Clear & simple procedures.
- Private co-investors may add value to the project or make it easier for the next investment series.
- Formal aspects of getting funded should be clear.

A company supported with loan and guarantee fund:

- A very good alternative to bank loans
- Not promoted enough – should become more recognizable

A company using soft support services (like a business and market analysis, creation of business plans etc.) provided by business support organizations:

- Incubation and acceleration services can't go alone – they have to be supported with money (incl. private).
- The service should be complex.
- However, this kind of support is very important especially in the pre-funding phase – to-be-entrepreneurs often aren't familiar with the procedures.

Having in mind relatively common interest in public and private co-financing, the team decided to further focus on the issue of how to increase private capital involvement in the publicly (co-)financed financial instruments for SME growth.

Phase 2- Elaborate & Experiment

Elaborate

In this phase, we have focused our efforts on better understanding and improving users experience related to equity-based instruments development in Silesia region. A one-day workshop with external stakeholders was key to achieve progress in the ideation. Due to Covid-19 restrictions, all participants were connected via the online platform (i.e. Zoom). They represented staff members of three seed/venture funds active in the regions (incl. the fund established by the regional authorities) as well as officers from the Marshal Office of Silesia (i.e. the policy-makers). An external facilitator was appointed to run the session in accordance with guidelines set out in the Design Options Paper of the SmartFi project. Google Jamboard tool was used to visualize workshop discussions and track proposed improvements.

The main challenge was presented to the group, phrased as:

How to increase private capital involvement in the publicly (co-)financed financial instruments for SME growth?

All participants briefly exchanged opinions on their understanding on the subject and its relevancy. It was confirmed that all involved parties are interested in the issue and have a certain level of knowledge and experience to take part in the workshop. This round of discussion was also meant to get to know each other better. Even though, in general terms, most of the participants had roughly known each other before the event.

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The Persona Tool template was displayed and the participants were asked to describe typical individuals related to the challenged issue. In the discussion, the group decided to apply the tool to:

- Fund manager addressing (trying to attract) the private capital owner,
- Private capital owner scouting for investment opportunities with publicly (co-) financed funds.

Therefore Persona 1 was described as:

- A 35-50 years old person in a managerial position, having certain experience in business and corporate finance.
- A person of relatively wide knowledge concerning different markets and well networked with some of them.
- An open-minded team player, charismatic and understanding that the performance is based upon the team effort and various competencies available in the team.
- A result-oriented professional focused on the successes of portfolio companies that guarantee financial returns to the fund and its investors.
- A person aware of the fact that previous transactions add her/his credibility and legitimacy.
- A person aware of the fact that his/her ability to co-operate with (current and potential) portfolio companies is crucial for the whole investment cycle.
- An open but assertive discussant, not afraid of negotiating and presenting the position of her-/himself and the fund.
- A manager who understands that due to the presence of public co-financing in the fund, her/his risk tolerance should be smaller in relation to fully private funds. Consequently, she/he understands that supervision over her/his activity might be stronger and more bureaucratic.
- A professional whose total earnings are partly based upon the fund's performance.
- A professional who takes investments decisions having in mind the 3-5 year perspective, but also accepting the short-term deals.

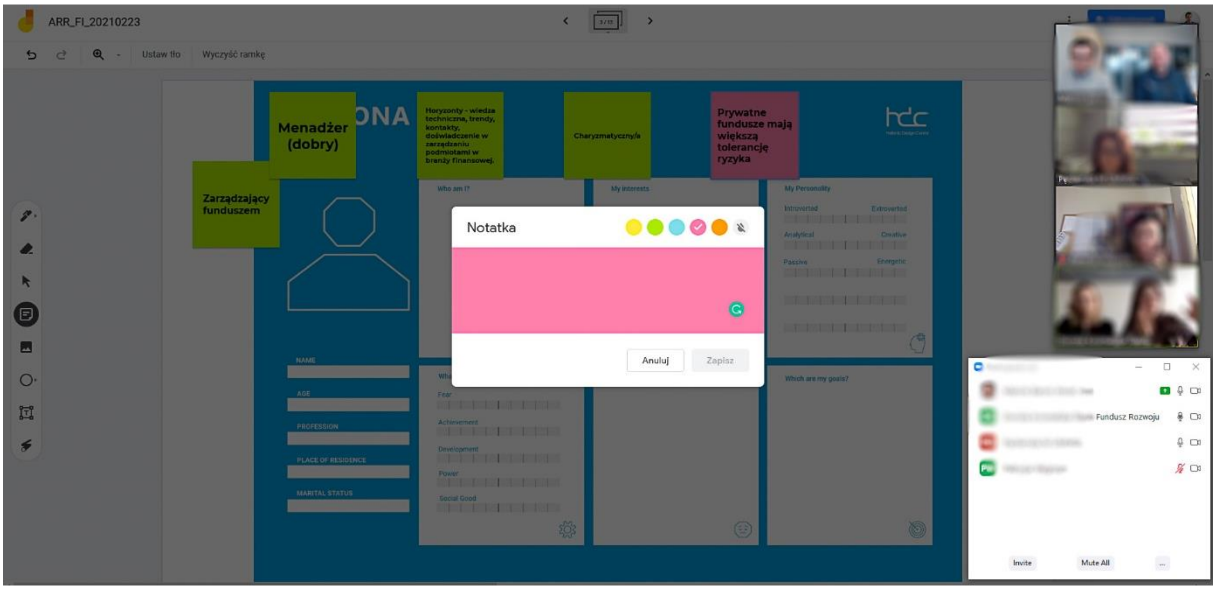

Figure 7: Persona Tool used to define personas during phase 2 (ARRSA)

While Persona 2 was seen as:

- Usually a senior manager or entrepreneur, having substantial savings (but not necessarily huge, starting from approx. EUR 50,000) not directly related to securing her/his future basic needs.
- A person of relatively deep knowledge concerning a limited number of markets and well anchored in them.
- A person of a certain status in the industry.
- A person who invests to achieve return much higher than in case of secure financial instruments, but also possibly driven by an entrepreneurial spirit, risk acceptance, interest in new markets, hobbies and willingness to contribute to certain developments.
- A person who might invest on behalf of the legal entity (her/his business).
- A result-oriented professional, experienced in business administration.
- An assertive discussant, experienced in negotiating and presenting his/her position.
- A person expecting simple and transparent procedures, with limited acceptance for paperwork and administrative overload. On the other hand having his/her procedures/methods for financial management, performance management and supervision.

- A person who takes investments decisions strategically, having in mind the 5-7 year perspective. Able to wait for perfect exit opportunity, but not hesitating the prompt exit if profitable.
- A person in search for complementarities (incl. complementary public grants).
- A person who might have a predatory approach towards her/his portfolio businesses.

After a summary and a break, the workshop participants used the elements of the User Journey Map template to envisage the experience of both Personas on their way to joint investment.

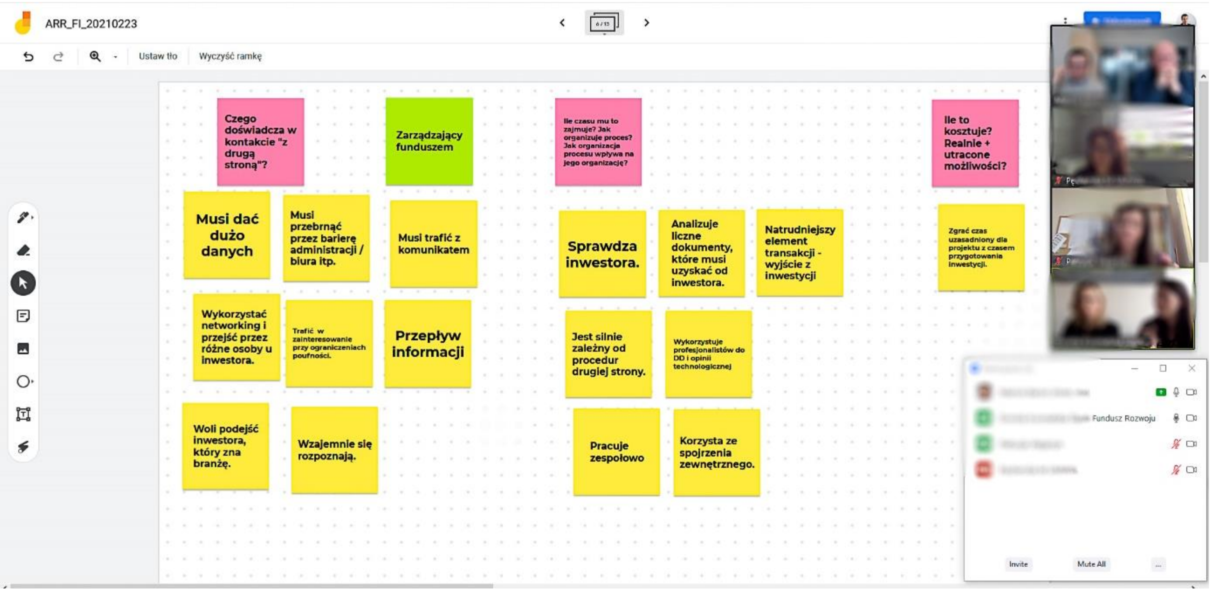

Figure 8: User Journey Map used by ARRSA

The opinions were gathered throughout the Jamboard and aggregated findings were presented in the table, as follows.

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Fund manager	Private capital owner
What does she/he experience while addressing the "other side"?	
– Needs to use networking skills to find proper contacts leading to the investor. – If the investor is professionally active, usually needs to get through some other persons in the hierarchy of her/his company. – Must have a perfect pitch, tailored to what is known about the investor's preferences. – Relies very much upon the quality of the investment project (might face the problem of poor deals in the pipeline). – Is expected to deliver loads of data and not disclose confidential issues. – Prefers to have an industry-related investor for boosting the smart money effect.	– Is not forced to make decisions. Personal likes and dislikes are principal in the process. – Sees co-investment with the fund as a prestigious business initiative. – If the fund is publicly (co-)financed the private investor: (i) might find it politically biased, (ii) might be willing to use it as a vehicle for navigating towards other public entities to do business with them or lobby for individual stakes, (iii) might consider the co-investment as a way to add legitimacy to her/his actions. – Have less bargaining power in negotiating with the publicly (co-)financed fund, due to rules applied to protect public money.
How does she/he organize the process? How does it affect her/his other processes?	
– Needs to run due diligence on the idea and the investor – usually related to loads of paperwork and business analytics. – Hires professionals to support fund in specific industry/technology-related or legal issues. – Needs to align project and investment schedule not to lose momentum nor market opportunities.	– Can choose whether she/he wants to play an active role in the process or stay aside. – Might invest with limited experience/knowledge in the area / due diligence workload, assuming that the fund meets all professional obligations concerning investment. – Rather not consider the investment to be her/his main focus area (keeps

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– Is highly reliant upon the procedures and standards imposed by the co-investor. – Utilizes the power of teamwork.	focus on core business or enjoys leisure time while retired).
What is the opportunity cost?	
– If no deal is arranged – the opportunity cost is higher for the fund. – If the performance emerges to be poor – the opportunity cost is higher for the investor.	

Experiment

Ideation

Consequently, the group identified the touchpoints in the process and addressed them with ideation concerning the improvements. The touchpoints were related to the four phases in the investment cycle:

- getting the co-investor on board: *touchpoint 1* – networking & mutual acquaintance;
- due diligence of the project: *touchpoint 2* – fragmented knowledge or biased approach (e.g. technology only) of the founder/proponent;
- structuring the transaction: *touchpoint 3* – power and responsibility share among founders/proponents and co-investors, incl. power parities between co-investors;
- implementation and monitoring: *touchpoint 3* – power and responsibility share among founders/proponents and co-investors, incl. power parities between co-investors.

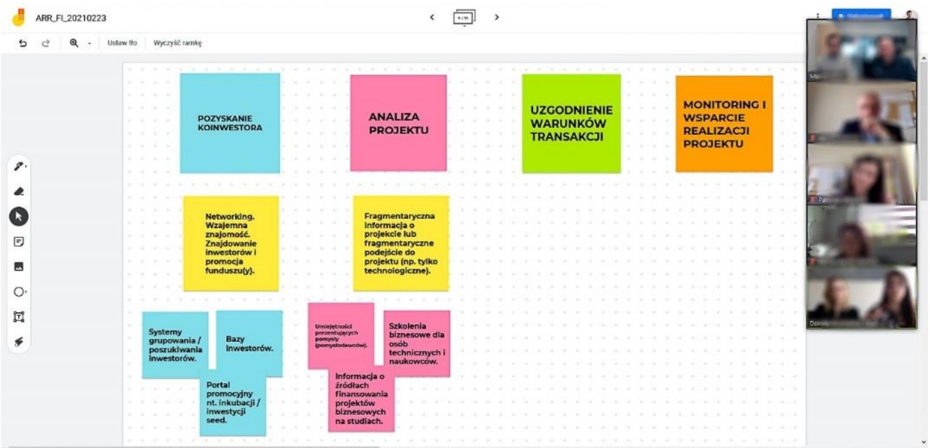

Figure 9: Ideation step using stickers and free brainstorming of ideas (ARRSA)

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Brainstorming was used to propose improvements concerning the presented touchpoints. Due to the size of the group, after idea-collection, their assessment in terms of impact and feasibility was done in open discussion.

Prototype

In this phase, ARRSA has targeted to a deeper understanding of how to deal with the touchpoints by decomposing the gathered ideas into action descriptions. As for touchpoints 1 and 2, the participants sketched the framework of two actions to be further developed by regional policy-makers in partnership with funds. Touchpoint 3 should be addressed throughout the existing channels for best practice sharing, e.g. related to Horizon 2020 or interregional cooperation projects.

Phase 3- Expand &Evaluate

Expand

Adopting the user's perspective of the two actions we have identified objectives, results, scopes, partnership compositions and plans concerning timeframe and funding.

Action 1: Business Angels and Investors Forum of Silesia	
Objective	– To improve the networking of public and private investors.
Expected result	– Faster, more efficient and secure investment deals contributing to the regional economy.
Scope	– Mapping the investors and business angels. – Hiring animators responsible for direct contacts with potential investors and business angels and analysing their investment profiles. – Offering partner search, interest groups, access to contact database etc. – Organizing seminars, demo days and other networking events. – Running the seed/venture investment website of the region.
Main partners	– Regional authorities, – Silesian Development Fund,

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	– funds operating in the region, – chambers of commerce and industry, – cluster organizations, – members of the Network of Regional Specialized Observatories (SO RIS) in Silesia.
Timeframe	– Starting from 2022.
Funding	– Regional Operational Program 2021-2027 (ERDF /ESF+), – Operational Program for Just Transition 2021-2027 (Just Transition Fund).

Action 2: Silesian Startup Booster	
Objective	– To enhance individual skills needed for business idea acceleration.
Expected result	– Better and more complex business plans and business models pitched by founders/proponents from the region.
Scope	– Offering basic training and inspiration in secondary level education. – Business masterclasses in technical education (secondary and university education). – Advisory for engineering and scientific teams/individuals. – Bootcamps, business model labs and acceleration tracks. – Up-to-date handbook on investment opportunities and granting schemes (on-line).
Main partners	– Regional authorities, – Silesian Development Fund – funds operating in the region – universities – business support organizations – local startup officers and incubators.

Timeframe	– Starting from 2022.
Funding	– Regional Operational Program 2021-2027 (ERDF/ESF+) – Operational Program for Just Transition 2021-2027 (Just Transition Fund).

Evaluate

After the workshops, the SmartFi team of the Polish partner tested the prototyped actions in a way of bilateral interviews. ARRSA pitched the interviewees with the action proposals and discussed the prototype with them. The respondents were:

- a policymaker (representative of the regional authority, responsible for innovation policy and its implementation),
- a manager of a private venture fund,
- a private investor, potential business angel,
- a startup coach/animator,
- two entrepreneurs who entered equity deals with seed funds.

In general, the interviewees approved the proposed actions. They considered their scope relevant to the needs of the region and its investment ecosystem. Individual respondents mentioned that there was a Business Angels Network in the region (over 10 years ago) but for not unknown reasons it did not prove to be successful. One person pinpointed that activities similar to Action 2 have been facilitated in 2005-2007 within the regional project "Network for Effective Technology Commercialization". The project impacted teaching and Technology Transfer (TT) procedures in several academic and research institutions across the region, but the re-opening – aligned with a contemporary situation – is more than needed.

Therefore, ARRSA will develop prototyped actions as a part of its statutory activity.

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8.3 Short Description of the Pilot Action in Portugal

The Portuguese partner, ANI, implemented the Pilot Action in order to test the methodology and the tools developed by the project, to tackle a challenge related to equity-type financial instruments (FIs).

Following the proposed methodology, the pilot action was deployed in three phases. Each phase is described below.

- *Phase 1 – Explore & Empathize:*

To understand and define the problem to be solved

  - This phase included preliminary research conducted by the ANI team, in order to identify the challenge, followed by primary research carried out through exploratory interviews with startups who have applied for equity-type financial instruments in Portugal.

- *Phase 2 – Elaborate & Experiment:*

To ideate (develop concepts and prototypes) for solutions to the problem identified

  - In order to develop new ideas to tackle the challenge, two online workshops were organised.
  - During the first workshop, the key insights of the research were presented to the participants, who then worked to break down the initial challenge into more focused sub-challenges;
  - During the second workshop, the participants generated and prototyped solutions for two of the subchallenges identified;

- *Phase 3 – Expand and Evaluate:*

To prototype and test the solutions

  - ANI team formed the final prototype for one of the solutions ideated in the second workshop.
  - The prototype was tested and evaluated through follow-up interviews with some of the stakeholders interviewed on Phase 1.

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In depth analysis of the phases followed during the pilot implementation

Phase 1 – Explore & Empathize:

Explore

Define the challenge

Using Problem Definition tool, out of the Design Thinking methodology, the ANI team developed "*how might we*" questions and set up the challenge. Moreover, ANI identified all relevant stakeholders that took part in the process.

Challenge: *" How might we improve access to venture-type financial instruments (FIs) for SMEs and Startups?"*

Stakeholders involved were:

- Main user groups:
    - Startups / SMEs
    - First Time Entrepreneurs
- Service Providers:
    - Venture Capitals
    - Business Angels
- Facilitators:
    - Incubators/Accelerators
    - Academia Technology Transfer Offices
    - National Innovation Agency (ANI)
    - Institute to Support Small and Medium Sized companies (IAPMEI)
- Financial Institution for Development (IFD) – "Fund of Funds"
- Managing Authorities – COMPETE 2020, Regional Operational Programmes

Empathize

For the completion of the primary research, ANI organized five interviews in order to identify the key insights from the main user groups identified. Due to COVID-19 restrictions, all interviews were conducted online. Each interview was conducted for an estimated period of 30 minutes, to entrepreneurs and business creators that had experience in interacting with financial instruments as Business Angels and Venture Capital, in order to obtain investment for their company or venture.

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The main goal was to collect insights in order to understand the necessary effort to seek this type of investment, as well as expectations and strategies associated by the different actors in the search for it.

Interview Questions:

1) What is your name and the name of the company or project that sought this instrument?
2) What does your company do/did, what's its size and what is the area of operation?
3) Have you ever sought or applied to venture capital instruments?
4) When was this investment search made?
5) What type of instrument were you looking for?
6) What was the approx. value you were you looking for?
7) What motivated you to look for this type of investment?
8) What were the initial expectations you had when you started this search?
9) How was the application process? What phases did it contain?
10) How did the interactions with BA / VC occur? Who was your point of contact?
11) Was there a negotiation phase? How did it happen?
12) What did you think of the process? Did it live up to your initial expectations?
13) What was the final result of the application process? Did you receive the capital?
14) Why do you think you received / did not receive the capital?
15) What are the biggest difficulties you see in this process? (application and access)
16) How satisfied were you with the process? Do you think that you could have had a different result and that it could change your satisfaction?

Interview Results and Main Insights:

Funding Value, Dates and Motivation

All of the interviewees sought external funding, specifically VC or Business Angel funding. Although some have complemented their funding strategy with other instruments of capitalization (debt, European public support, crowdfunding), in a very early stage all have

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sought VC/BA money considering that on some cases they knew that they couldn't be able to get funding in that stage using other alternatives or in some cases, they didn't know other alternatives. Also, some said that startup culture and events like Web Summit made them have that vision.

The dates vary on the experience and size of the company. Three of the interviewees have been developing their project for a longer time, the first dates are prior to 2018, while in the case of the other two, their experience is more recent. However, independently on when they started their project, they've all sought capital in their first year of activity.

The motive to seek this capital is common for every entrepreneur: they saw a market opportunity and wanted to obtain the first capital to develop their product or accelerate their growth as a company.

The value of investment sought for the first year(s) of activity ranges from 100.000€ and 500.000€, depending on their business plan, needs in terms of product development.

Initial Expectations

The initial expectations were very similar among the interviewees, considering that all of them had high expectations with the closing of their first funding rounds. They thought the process was going to be faster, with better results or valuation. The process of application itself was also not very clear for them at the beginning. The ones that applied for a public VC had to deal with huge bureaucracy just to get the first meeting. But after that first step of introduction, they all agree that the process is usually divided into 3 phases: intro meeting with analyst to see if there's a fit with investment thesis of VC, followed by a second meeting with experts or partners and a third meeting with the investment committee. However, after getting a "yes" from a VC comes the paperwork part: term sheet (usually non-binding), financial due diligence, legal due diligence, technical due diligence and investment at the end (hopefully).

Interaction with Investors

The interaction with the VC usually starts with the best person you know or that you might be introduced to, which is usually a partner or director. After that stage, the process is usually conducted by the analyst and the partner in the later stages, depending on the size of the VC firm. In all cases, they've defined building a relationship first as a crucial step to further interact with the VC. In the case of one interviewee, he finds that speaking with other entrepreneurs that were invested by that same VC was also important to level expectations and to get a better contact and interaction with the investor later on.

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Negotiation with Investors

A negotiation typically happens at later stages of the process, considering that the first meetings are usually analytical. All of the entrepreneurs that were interviewed and succeeded in getting the investment, like to have that part of the negotiation, as they want to defend their company and idea or project. The reason for that is because they think that by executing that well, they're also showing the investor that they'll succeed in doing the same with clients.

Most entrepreneurs did not meet their expectations, even the ones who succeeded. Either it took too long or didn't reach in time. But for the ones who succeeded, although painful, they feel like they needed to go through that process to ensure the success of the project (otherwise they wouldn't have a company by now).

End Result

3 of the 5 interviewees succeeded in closing their financial rounds using these types of instruments. In their opinion, it was showing a great vision, having a great team, a structured plan of where they wanted to go as a company that ensured the success. In some cases, trying over and over to reach the same investors in different stages led them to secure that investment. In the case of the other two, they didn't manage to secure a successful investment. While one was due to the fact that the process took too long, due to several legal setbacks and the choice of investors, for the other one, he felt like he didn't pursue enough investors and the time he took with the first contacts took a toll on the team and they eventually left the project.

As final remarks, it is important to highlight some quotes of the interviewees, as lessons for these new first-time founders:

"Instead of seeking money first, you should seek advice from investors. By absorving their advice and adjusting your project, you'll have more chances of success in securing investment and building a relationship with those investors."

CEO & co-founder at ImpactMarket

"You should seek the easiest way, depending on the stage you're at. Having a "no" now, doesn't mean it's a "no" in a year's time."

CEO & co-founder at Advertio

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"The first time didn't work as planned, but I will try again and with the lessons learned, next time I will be better."

CEO & co-founder at Vantta

"Showing that you want to do it so hard that your will is unbreakable is what closes that first investment. In one word: drive!"

CEO & co-founder at Addvolt

"Look for constructive feedback. Destructive feedback won't get you anywhere."

CEO & co-founder at EUcoin

Phase 2 - Elaborate & Experiment:

The next step, in phase 2 of the pilot action, was to organize the ideation workshops, where stakeholders extracted ideas that led to the design of a prototype.

Two workshops were organized with the same target audience, where the following steps and tools were used:

Elaborate

1st online workshop – *Challenges in accessing equity-type financial instruments.*

- Making sense of the research – user research key insights presentation and discussion
- Empathizing – using the persona tool
- Mapping the experience & Identification of pain points – using the customer journey map tool
- Redefining the challenge – using the "How might we...?" tool.

Experiment

2nd online workshop – *Generating ideas.*

- Ideation – using Brainstorming tools.
- Selection – using Idea portfolio.
- Prototyping – using the Storyboard tool.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No 870580.

Elaborate

1st online workshop results

The 1st online workshop took place on Zoom and Mural platforms, where 26 participants evaluated the key insights of the empathize stage and also created sub-challenges in order to focus on a specific one.

The participant groups included:

- First-time entrepreneurs
- Startups
- Intermediary organizations, such as business incubators and technology transfer officers

After presenting the research insights, participants were asked to use the persona tool in order to create user types based on their experiences.

Personas are characters (archetypes), representative of groups of real people, created based on the information identified during the research phase. They reflect mental models, needs, motivations, values and interests, goals and expectations of the people who use a service. They are created to help decision making: "Is this solution good for this persona?"

The creation of these archetypes helps to develop empathize with the circumstances and goals of different groups of actors.

Keeping the created personas in mind, the groups were asked to use the User Journey Map tool in order to map the persona's experience in seeking equity-type financial instruments, further identifying the user's needs and pain points.

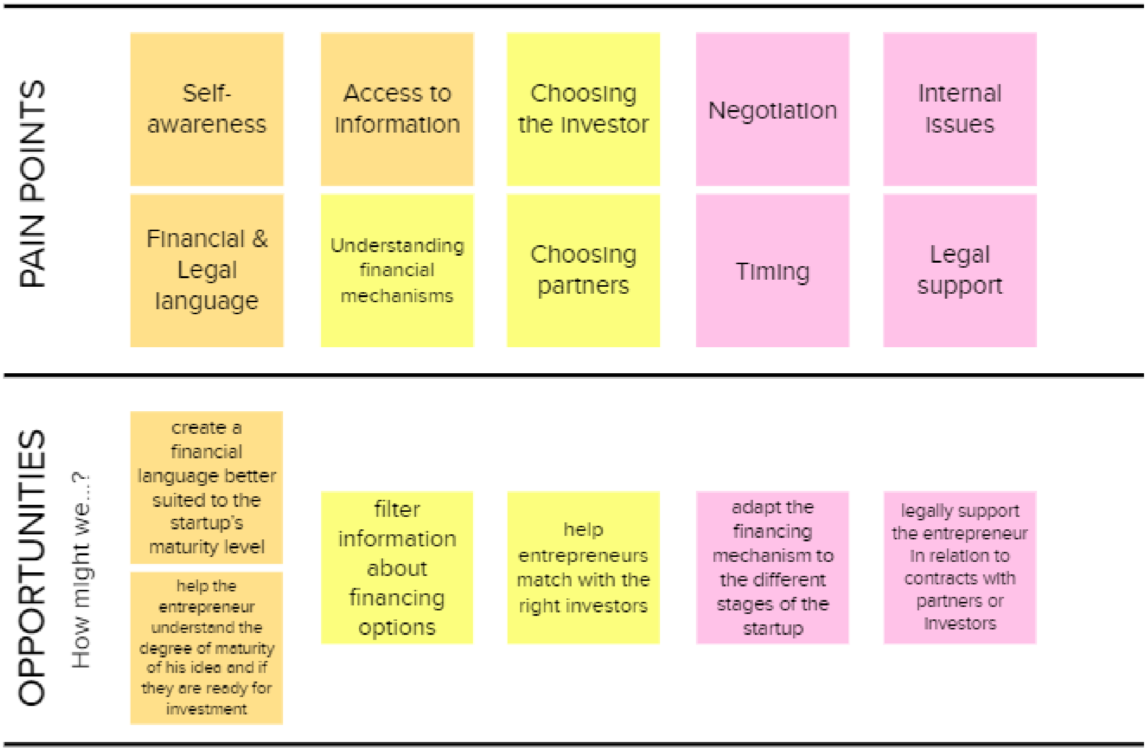

Figure 10: Example of Customer Journey Map (partial)

Taking into account the pain points identified by all the groups, the initial challenge was broken down into more focused sub-challenges using the **"How might we...?"** tool in order to formulate specific challenges to address each paint point.

The resulting sub-challenges include:

How might we...

- … create a financial language better suited to the startup's maturity level?
- … help the entrepreneur understand the degree of maturity of his idea and if they are ready for investment?
- … help entrepreneurs match with the right investors?
- … help entrepreneurs to filter information about financing options?
- … best adapt the financing mechanism to the different stages of the startup?
- … legally support the entrepreneur in relation to contracts with partners or investors?

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Experiment

2nd online workshop results

The 2nd online workshop took place on Zoom and Mural platforms, where 9 participants worked in ideating solutions to the identified sub-challenges.

The participant groups included:

- First-time entrepreneurs
- Startups
- Intermediary organizations, such as business incubators and technology transfer officers
- Innovation Agency

In order to better focus the ideation process, the participants were asked to vote for which of the sub-challenges identified on the 1st online workshop they would like to focus.

Participants mainly voted for two of the sub-challenges and were organized into two groups, each one working on a particular sub-challenge:

- *How might we help the entrepreneur understand the degree of maturity of his idea and if they are ready for investment?*
- *How might we help entrepreneurs match with the right investors?*

Ideation

Through **brainstorming** techniques, the participants were asked to generate possible solutions to their designated challenge. At a first stage, participants were encouraged to generate as many ideas as possible, given certain prompts to think "outside the box". These prompts included – *Silent ideas, Group ideas, Silly ideas, Ideas for the future, Brave ideas, What if I were Apple?, What if I were Uber?, What if I were Tinder?, What if I were Gandhi?, What if I were Netflix?.*

Afterwards, participants were asked to cluster ideas by rating each idea according to potential impact on improving citizen service / satisfaction *versus* the level of effort (human, financial, time, etc.) required to its implementation, thus allowing to identify the most promising solutions. The impact/effort matrix gives us a joint view of the positioning of the various ideas, so we can prioritize them and decide which or which we will test. Through this exercise, two idea portfolios were developed – one for each of the tackled sub-challenges.

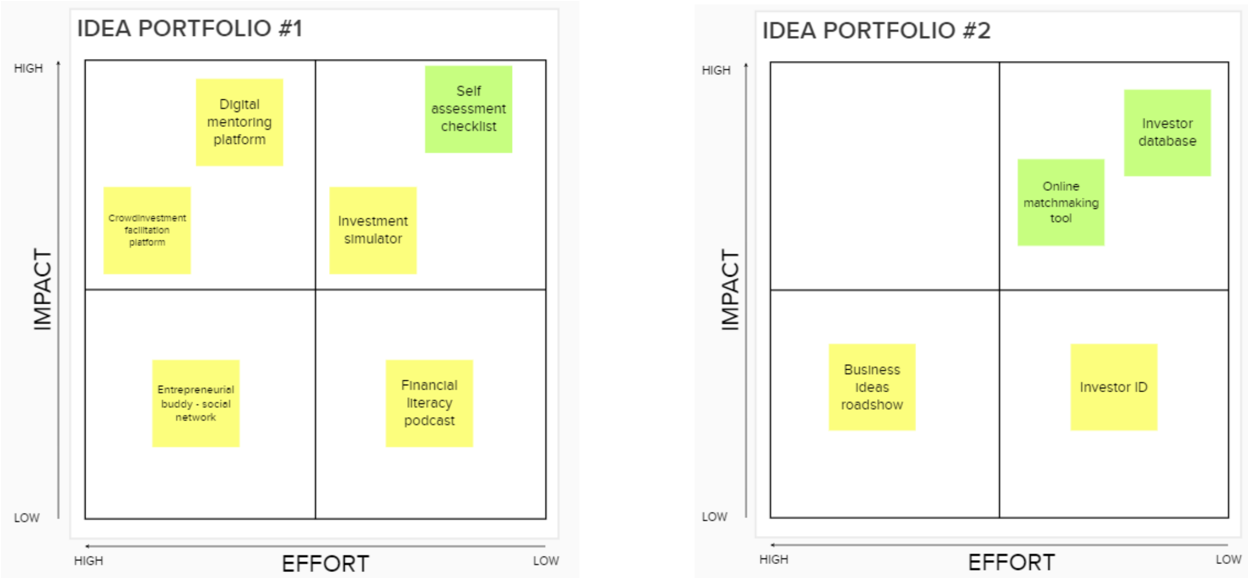

Figure 11: Idea portfolios (ANI)

Prototype

Finally, the participants of each group selected one idea to be prototyped. Using the **storyboard** tool, they were asked to define a scenario and identify the steps needed to the solution.

Two ideas were prototyped using the storyboard tool:

- SELF-ASSESSMENT CHECKLIST "*Is it the right time to seek venture capital?*"
- INVESTOR DATABASE & ONLINE MATCHING TOOL

In the end of this exercise, both groups presented their rough prototypes to the rest of the audience. When asked to identify which of the tools they would like to expand, most voted for the SELF-ASSESSMENT CHECKLIST "*Is it the right time to seek venture capital*?"

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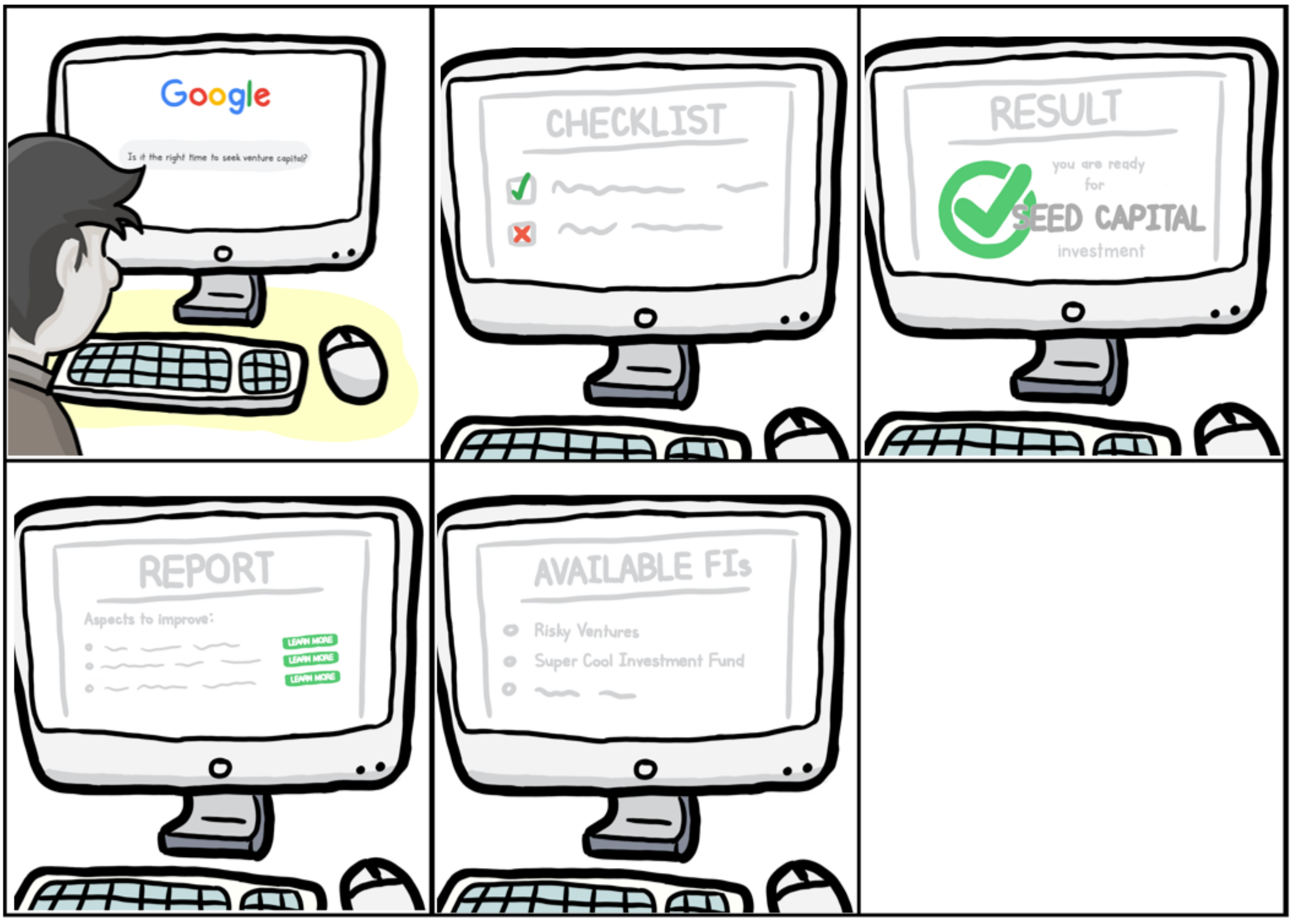

Figure 12: Development of the prototype using storyboard - Self-Assessment Checklist "Is it the right time to seek venture capital?"

Phase 3 – Expand and Evaluate:

Expand

The ANI team and the facilitators of the workshops gathered the information that came up from the "Storyboard tool" and expanded the prototype of the SELF-ASSESSMENT CHECKLIST "*Is it the right time to seek venture capital?*".

ANI expanded the prototype to implementing this solution, defined as follows:

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Implementing a SELF-ASSESSMENT CHECKLIST "*Is it the right time to seek venture capital?*"	
Objective	To improve the probability of success of first-time entrepreneurs in accessing equity-type financial instruments by helping the entrepreneur understand the degree of maturity of his idea and if the key aspects they need to comply with in order to apply to FIs.
Description	The self-assessment checklist "*Is it the right time to seek venture capital?*" aims to be a simplified online tool that enables people seeking equity-type investment for a startup to quickly check if their project or idea meets the broad criteria usually used by investors to evaluate projects and ultimately being interested in investing. The purpose of such tool is two-fold: first, it intends to collect in one place the information on the main requirements for startups to apply for equity-type instruments, presenting them in an easy manner through a checklist; second, it aims at helping entrepreneurs understand the stage of maturity of their idea (by filling out the checklist) and direct them towards the most appropriate type of equity-type instruments (pre-seed, seed, BA, VC, etc...) or to enlighten the further steps necessary to undertake before seeking this type of investment in order to maximize the probability of success. This tool does not aim to provide a deep insight on the startup or project, but rather to be a quick and easy to access tool that might help direct the entrepreneur's first endeavors, so that they can focus their journey more clearly.
Features	- Online interface, easily accessible, search engine indexed. - Questionnaire type tool, that is filled out by the user. - Generates feedback instantly – by attributing a "readiness score" and a quick report highlighting critical points that have been completed or might be missing. - Based on the answers to the questionnaire, the tool suggests the most appropriate type of equity financial instrument for

	the stage of maturity of the firm (or points out the lack of a suitable instrument at this stage). - Allows data saving and editing to enable the entrepreneur to update their information and track development. - Each milestone/checklist item should reflect a dimension usually evaluated by investors – from substantial aspects of the business idea to formal aspects required to access instruments. - Educational feature: the tool should link to a repository of information that allows the entrepreneur to understand how to appropriately reach each milestone/checklist item. - Investor database: the tool could link to an investor database, providing a list of suitable investors according to the questionnaire result (the investor database would include all ESIF-funded investors)
Main partners	The following partners should be involved in the full-scale development of this tool: - Investors (venture capital, business angels, and others) - Mentors - Legal experts - Regional financing authorities

Evaluate

Testing the prototype

In order to test the prototype, and due to the constraints we faced with de COVID-19 pandemic, ANI opted to conduct some follow-up interviews with the first group of interviewees in order to present them the prototype of the SELF-ASSESSMENT CHECKLIST "*Is it the right time to seek venture capital?*", and gather feedback and suggestions from these stakeholders.

The main feedback received was that this checklist should have a hybrid format, having something quick and online, with multiple choice that would give an automatic answer stating if the project was ready or not for investment and a recommendation to speak with a specific mentor, of the area that the project lacks information. It was also recommended

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workshops on the several points of the checklist and, complementary to organize online challenges for the entrepreneurs to submit their project's info to be evaluated by a panel of mentors and jury.

In conclusion, ANI used the DesignTthinking Methodology to address a challenge related to the access to financial instruments. Through this process, not only ANI successfully tested the methodology, but was able to develop, through co-creation, a prototype of a self-assessment tool to help entrepreneurs understand the degree of maturity of his idea and if the key aspects they need to comply with in order to apply to FIs.

9. CONCLUSIONS AND INTERPRETATION

SmartFI project implementation has given the opportunity to throw out some final conclusions and recommendations, based on the main findings of the pilot actions and of the Peer Learning activity. Distinguished elements that have arisen during the pilot actions can be summarized in the following:

-There is lack of information points, in order to collect and organise information for all FIs that are available for Startups

-Public authorities use strict language and can't understand the needs of Startups

- Local ecosystems are usually defined as immature especially when a) there is no interaction between Stakeholders & b) Stakeholders are not extrovert enough

- High percentage of bureaucracy is noticed in national FIs and this is something that discourages SMEs. Public funds are usually considered hard to apply for. SMEs find it hard to meet all bureaucracy related to European Funds as well.

- For the designer of an FI, it is hard to make something user friendly having all those procedures to follow.

- To raise private capital is a real challenge!

- The motive to seek capital is common for every entrepreneur: they saw a market opportunity and wanted to obtain the first capital to develop their product or accelerate their growth as a company.

- Trust is the key to success between a Startup & an investor.

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- Instead of seeking money first, you should seek advice from investors. By absorbing their advice and adjusting your project, you'll have more chances of success in securing investment and building a relationship with those investors.

- Speaking with other entrepreneurs that were invested by that same VC of the same FI was very important to level expectations and to get a better contact and interaction with an investor later on.

- To be rejected by an FI is a step to success. It doesn't mean that you will receive a no in the next attempt.

- Boosting entrepreneurial culture by trainings, bootcamps, workshops at every level of education (incl. lifelong learning) are needed to better prepare people with different educational and professional backgrounds to the use of financial instruments.

- Networking the active and potential business angels in the region is seen as a way to improve private co-financing in publicly supported financial instruments for start-ups.

SmartFI project attempted to interlink the effectiveness of a financial instrument with the actual needs of the final user. Under this perspective, a certain process was developed, based on Design Thinking methodology, and tested in real challenges. This whole experience is included in the present Design Options Paper, which can serve as a handbook on how to design and/or redesign User Friendly Financial Instruments using Service Design Methods and Tools.

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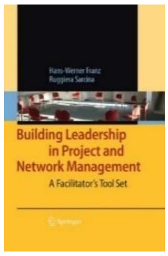
10. LIST OF SOURCES, IMAGES AND USEFUL LINKS

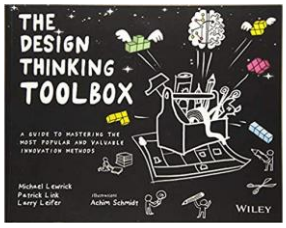
10.1 Sources

- Design Thinking Bootleg – d.school Stanford University
- sdt – Service Design Tools
- Board of Innovation - Free innovation tools
- IDEO.org Design Kit
- A practitioner's handbook "This Is Service Design Doing"
- Danish Design Centre's Toolbox
- Service Design Network publications and book recommendations
- The next 40 years of design in Danish Design Centre's magazine "Shaping the Next".
- Design Economy 2021: Commissioning Brief
- TWINNING ADVANCED (Twinning+) Methodology
- European Commission (2015). Guidance for Member States on FIs – Glossary.

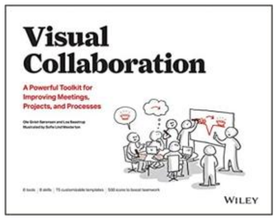
- Hans-Werner Franz, Ruggiera Sarcina: Building Leadership in Project and Network Management, A Facilitator's Tool Set. Springer-Verlag 2009.



- Michael Lewrick, Patrick Link, Larry Leifer: The Design Thinking Toolbox: A Guide to Mastering the Most Popular and Valuable Innovation Methods. Wiley 2020.



- Ole Qvist-Sorensen, Loa Baastrup: Visual Collaboration: A Powerful Toolkit for Improving Meetings, Projects, and Processes. Wiley 2019.



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10.2 Figures

10.3 Useful links

Miro online platform

Mural platforms

Design Council

Dansk Design Centre

IDEO.org

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Simplilearn's Design Thinking Full Course
https://www.youtube.com/watch?v=4nTh3AP6knM

Stanford's webinar on design thinking
https://www.youtube.com/watch?v=vSuK2C89yjA

United Nations' webinar on facilitation skills
https://www.youtube.com/watch?v=QvLFViQiGjI

Bigger Picture's series: designing and visualizing with peers – onsite and online
https://www.youtube.com/user/BiggerPictureVideo

Miro's series: using an online whiteboard for collaboration
https://www.youtube.com/c/MiroHQ/videos

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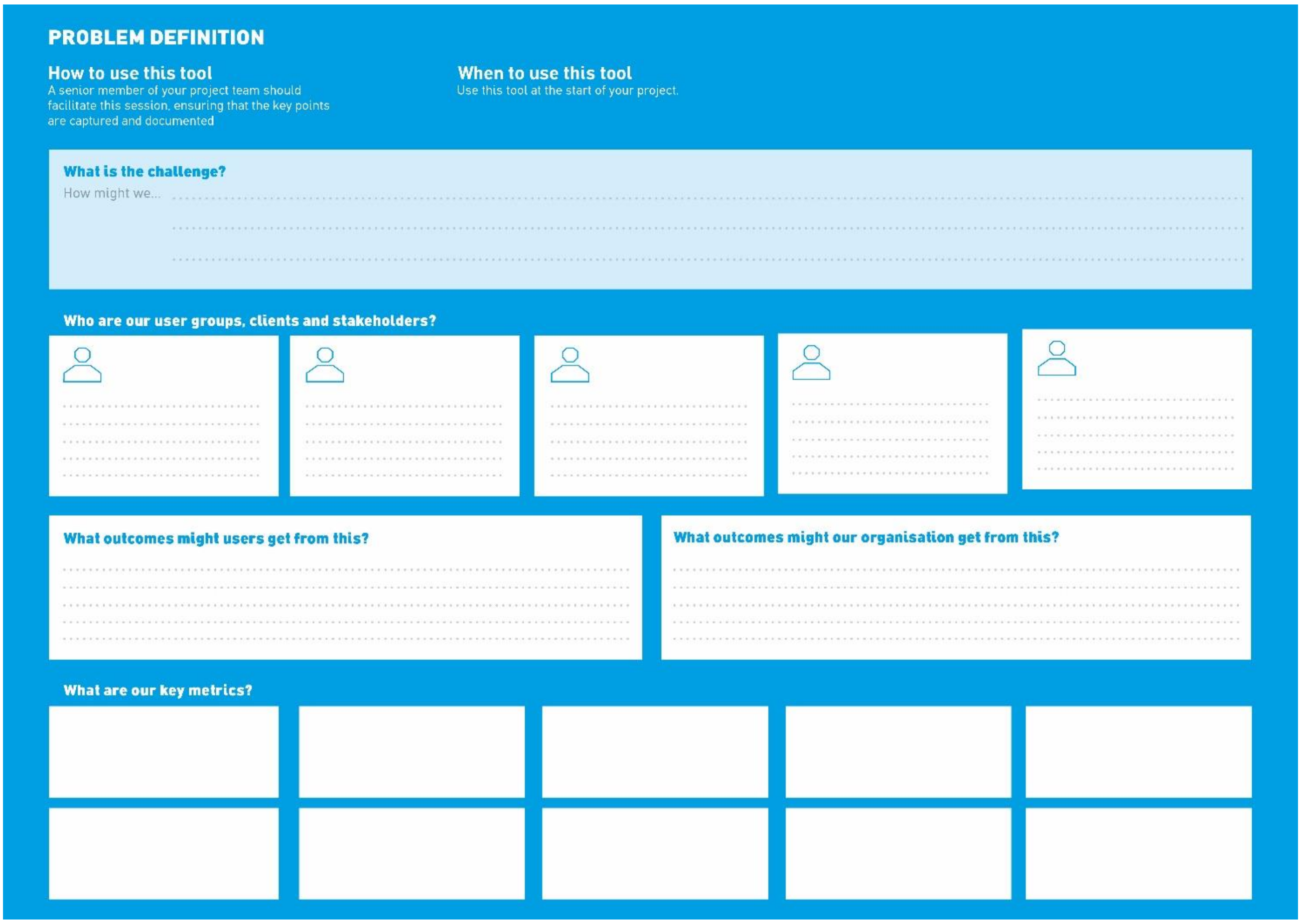
ANNEX I: TEMPLATES OF TOOLS USED DURING THE PILOT ACTIONS

Problem Definition Tool


PROBLEM DEFINITION

How to use this tool
A senior member of your project team should facilitate this session, ensuring that the key points are captured and documented

When to use this tool
Use this tool at the start of your project.

What is the challenge?
How might we...

Who are our user groups, clients and stakeholders?

What outcomes might users get from this?

What outcomes might our organisation get from this?

What are our key metrics?

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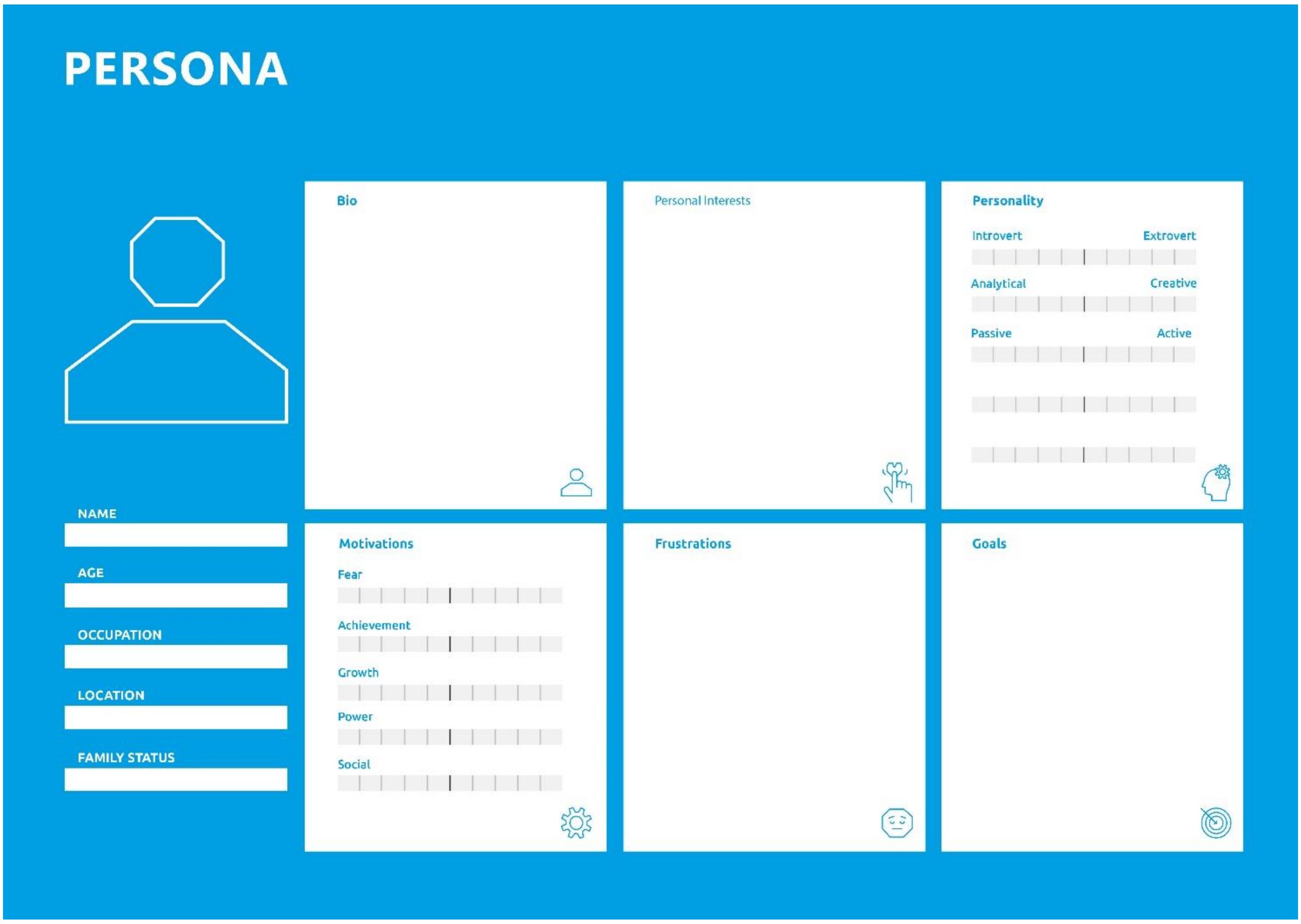
Persona Tool



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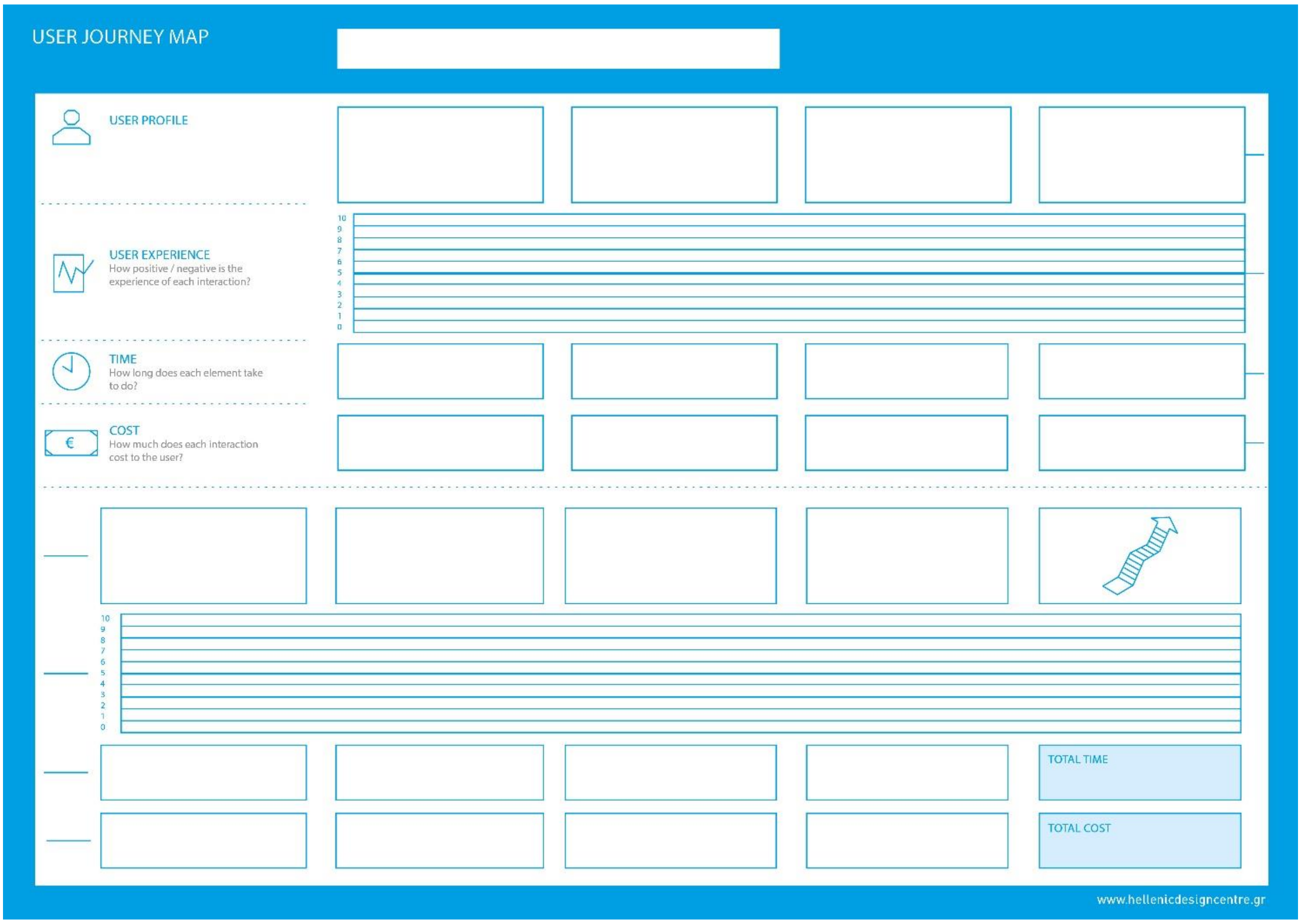
User Journey Map



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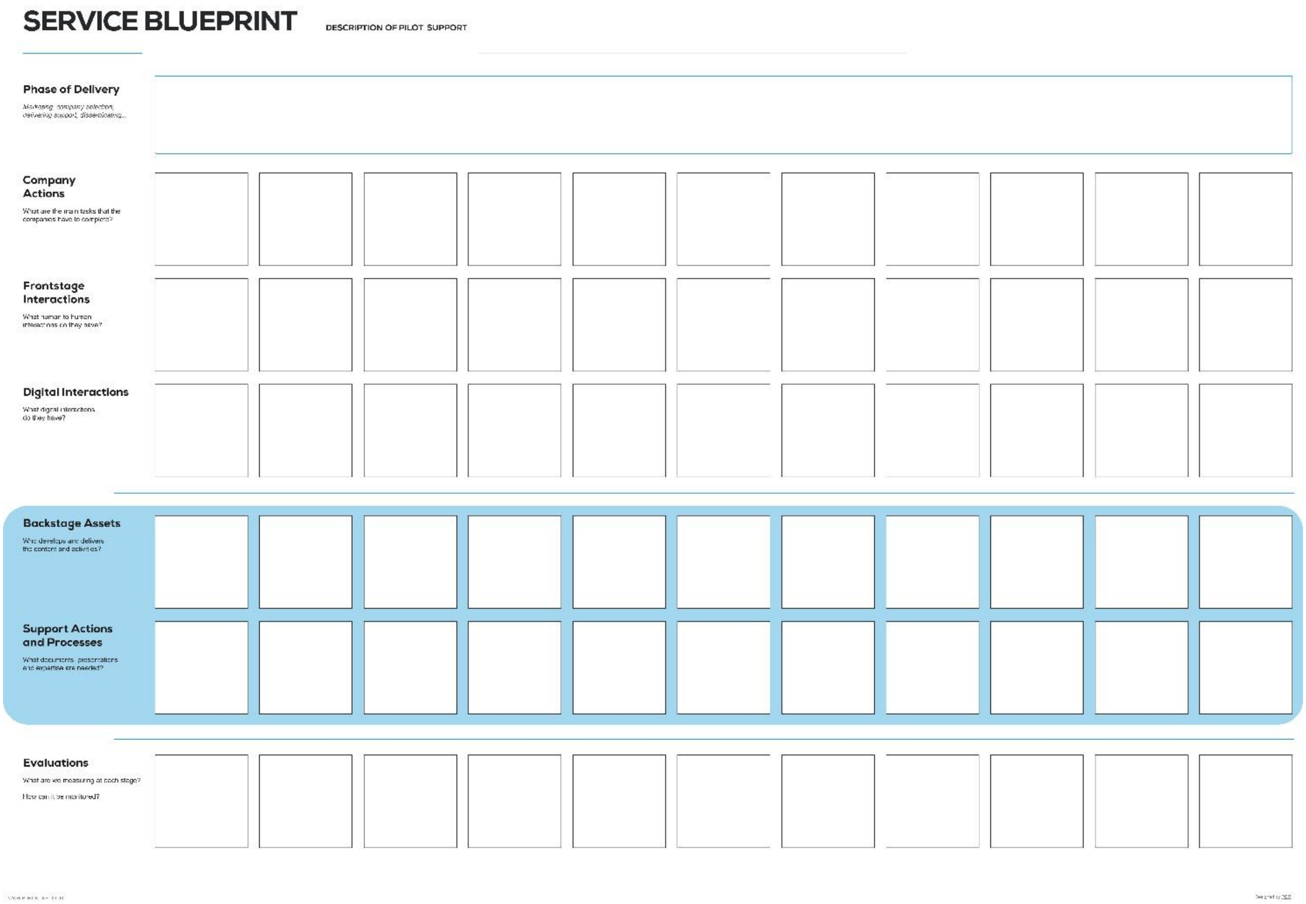
Service Blueprint Tool



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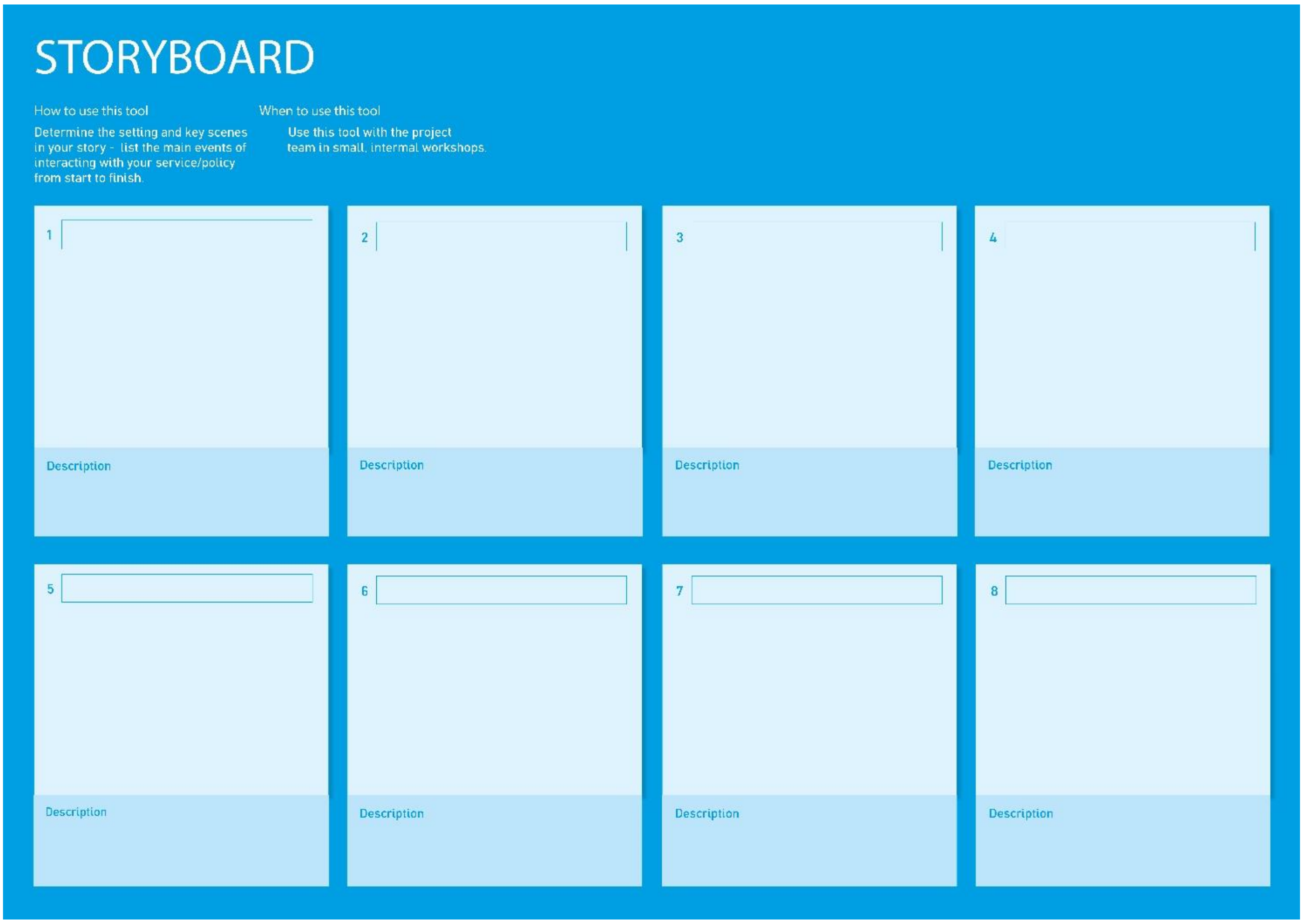
Storyboard Tool



Action Plan development Tool

ACTION PLAN

PROJECT NAME	PROJECT MANAGER

ACTION	RESPONSIBLE	PRIORITY	STATUS	START	END	NOTES
Goal #1:						
Goal #2:						
Goal #3:						
Goal #4:						