Description of the approach

A key task of any enterprise agency is to help firms to access finance for setting up or expansion. The circumstances in Marzahn-Hellersdorf suggest that benefit might be obtained from a programme to assist small firms to become investment ready and gain access to finance which was devised in London three years ago. The main problem of transferability to Marzahn-Hellersdorf would probably be the requirement of a budget to remunerate the financial intermediaries which play a key part in delivering the programme. One solution might be to examine the potential for European funding. However, since the programme is concerned only to help firms to better access existing sources of funding, rather than creating new funds, such expenditure might be relatively modest. It might also be possible to achieve some of the intermediary contributions through sponsorship and use of the resources of an enterprise agency. The chief objective of the programme, known as "Access to Finance" has been to assist small businesses in some of the most deprived parts of the London region (it was partly financed under Objective 2) to access funds to finance their expansion. The programme is not sector specific, but was devised to boost companies located in London’s Objective 2 areas and thus also to address problems of social and economic exclusion. Its success has led to attempts to extend its coverage to other parts of London.

The aim has been to include a broad range of business finance types: micro loans, bank loans, loans and equity from publicly funded programmes and specialist products such as leasing and mortgages – in principle, any funding which is there to be accessed. It has proved very successful in assisting firms ranging from one person start-ups to expanding firms requiring equity investment. The programme contains no elements of creating new funding streams for SMEs and is intended to assist them to take advantage of the sources of funds which already exist.

The programme is promoted to small firms by organisations offering financial services, with a particular emphasis on the clearing banks which are the most likely to have target companies as existing clients. It operates through a network of intermediaries, chiefly firms of accountants specialising in serving small business clients, selected by the agency running the programme, who give intensive training and guidance to participating firms. Remuneration of the intermediaries is based on the achievement of performance indicators, which is chiefly measured by the success of firms participating in the programme in actually raising funds. The success of the programme thus depends crucially on detailed and effective work being done with each client company by the contracted intermediaries.

The programme includes various capacity building activities to ensure quality across participating organisations. A diagnostic tool is used to determine whether client companies could benefit from the programme, which is administered by the intermediaries. The content of the diagnostic tool can be varied to suit particular circumstances. A method of remuneration incentives is the selection of appropriate companies. The assessment of the effectiveness of the programme is based on the objective measure of finance actually raised for companies. Experience in London indicates that worthwhile leverage is obtained on the relatively low costs of running the programme, especially after its start-up costs have been met.

The "Access to Finance" programme was developed out of specially commissioned research into why small firms fail to obtain appropriate funding. The research showed that the problems centred...
upon a lack of information about the types of finance available, and thus what would be suitable in any particular circumstance, and an inability to present a good case to finance providers.

The programme has sought to overcome these barriers by:

- Providing information and advice to small firms and start-ups using a broad range of marketing approaches such as intermediaries, banks, the internet and a series of knowledge-building seminars and workshops; and,

- Providing a subsidy to help clients obtain the professional advice they require to get them “finance ready”. This means helping them to produce a credible business plan and finance plan, sourcing appropriate types of finance and even coaching in presentation skills. The programme is also designed to provide post-investment mentoring to help the businesses achieve their objectives once funding has been secured.

The scope of the support given depends very much on the business and the stage of its development. Subsidies are used to help pay for commercial organisations to deliver the services. These include accountants, business consultants, enterprise agencies and other business support organisations. In the London model businesses going into the programme contribute between 10% and 35% of the cost of the support. The providers of services are required to discount their normal charges by 15%. This charging regime is not an essential part of the model and the principle could be adapted to suit circumstances in Marzahn-Hellersdorf, but if public funds are available to assist businesses it may well be reasonable for some to be devoted to this service by the recipients of such funds.

**Why the approach is relevant to Marzahn-Hellersdorf/East Germany?**

A version of the “Access to Finance” programme for Marzahn-Hellersdorf would probably be introduced on a much more limited scale in terms of both operation and budget than was the case in London. However, the London figures indicate the effectiveness of the programme and a significant leverage on the public funds committed. The programme has been funded by the European Regional Development Fund, the London Development Agency and Business Link for London to a level of GBP 7 million (EUR 12 million). By May 2006 the programme had assisted more than 400 owners and/or managers to raise over GBP 24 million (EUR 41 million) from already existing sources of finance.

The “Access to Finance” programme was designed to give targeted support for small businesses in areas experiencing deprivation and economic exclusion to help people access existing sources of finance in order to start a business or further develop an existing enterprise. Lack of sophistication in dealing with finance is a particular problem with such groups. Bearing in mind the objectives of increasing levels of economic activity in Marzahn-Hellersdorf such a programme should be useful. Although the local focus is essential to facilitate outreach to potential clients, the scheme might also have a wider application in Berlin, including areas with a high level of small firm activity. After establishing the success of the programme in Objective 2 areas of London, the next step has been to broaden its application. Securing the participation of existing financial intermediaries both to deliver the service and as a source of deal flow is a vital component in making such a scheme effective. The support of banks is also an important means of bringing clients to the service. This process is also assisted by the presence of other organisations working with small businesses which can also promote the service.

**Contact details and website for further information**

- Business Link for London: [www.businesslink4london.com](http://www.businesslink4london.com)