

**BULGARIAN  
MANAGEMENT  
ASSOCIATION**

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**FUND RISING INSTRUMENTS FOR SMALL BUSINESSES – FRISBY**

**Programme: Interreg Europe**

**Second call for proposals: March 1- June 30, 2017**

**Priority Axis 2: Competitiveness of SMEs**

**Specific Objective 2.1. Improve the implementation of regional development policies and programmes, in particular programmes for investment for Growth and Jobs and, where relevant, European Territorial Cooperation programmes, supporting SMEs, in all stages of their life cycle to develop, achieve growth and engage in innovation**

The project aims at creation of financial support schemes for entrepreneurs and micro and small enterprises (E/MSEs).

**Main issues to be addressed:**

At the moment the existing sources for funding are available to E/MSEs at a very high cost. In many cases E/MSEs do not qualify for funding due to lack of guarantees, lack of business history, or because they operate in new industries where finance providers do not feel comfortable providing funding.

Costs of financial transactions, bank account maintenance, bank certificates, and other services provided by the financial institutions, have been significantly increased in the last several years. Since these costs are applied to a single transaction regardless of its amount, the highest weight goes to the E/SMEs whose transactions are for small amounts and the fees and taxes to a single transaction sometimes reach 2-5% of its amount.

E/SMEs usually are unaware about existing seed-capital facilities, alternative to the traditional commercial bank products. The reason for this is that most of the information about these facilities is in English and is mainly available through specialized Internet portals. Therefore, for those entrepreneurs who do not know English or do not use Internet as a source for financial information, these facilities remain undiscovered.

### **Project Activities**

The partners will analyze the costs of the funding provided to entrepreneurs and MSEs in each member state, will make a research on the success and failure rate amongst those E/MSEs that used financing from existing schemes, exchange best practices on the set-up and management of seed-capital facilities in support of E/MSEs.

An extensive research will be made on the new practices for funding business ideas, including crowdfunding, use of digital currencies, other ICT solutions. The reports should point out the benefits for E/SMEs regarding time and cost efficiency in obtaining these kind of funding, but also the drawbacks like the level of risk, ownership of the capitals, and other issues that might be discovered.

Another project activity will involve a review of the current legislation related to the financing of E/MSEs. The reports from each country will unveil information about the transactions that are covered by the regulatory framework and the needs for improvements of these frameworks in order to improve the access to E/SMEs financing.

The project will suggest innovative financial schemes for seed-capital for E/MSEs, which are based on the efficiency of the new funding practices and that can utilize existing partner's programmes for Investment for Growth and Jobs or other regional business support programmes. Another area to explore is an alternative payment systems using digital currencies, EU credit card system for E/MSEs, any other instruments that can be discovered.

Finally, the project will come up with suggestions: for changes of the national or regional policies that will lead to improved access for E/MSEs to financing (less time involved, less transaction costs, simplicity of use); for national information campaigns that reach effectively E/MSEs; for EU financing facilities using the newest ICT solutions.

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## **Project's Work Plan**

### **Phase I: Interregional learning process**

1<sup>st</sup> semester: setting up the partnership; define roles and responsibilities between the partners; set up of communication means: web site, leaflets, booklets, learning platform; formation of stakeholder groups; exchange of details regarding each partner's policy instrument; preparation of questionnaire to local/regional/national authorities/stakeholders to find out the regional context as well as to measure the decision making process on different levels and the capacity of the project to influence the decision makers; project kick-off meeting and first Steering Committee meeting (2 participants per partner).

2<sup>nd</sup> semester: collecting and analyzing information gathered during the surveys; two seminars in each country (minimum 40 participants at each seminar) with broad participation of stakeholders – sharing innovative ideas for SME funding, obtaining suggestions for fundraising and easiness of cashflows; two focus groups in each country (8-10 participants) with participation of business leaders, SME finance experts, government officials to structure innovative fundraising models for the particular region/country; analyzing fundraising solutions in Europe and the rest of the World. Second Steering Committee meeting (two participants per partner)

3<sup>rd</sup> semester: third Steering Committee meeting to identify best fundraising models and the methodology for their implementation, identify pilot regions and the infrastructure needed to test on small scale the instruments; 5 to 6 exchange visits of stakeholder reps to the project partners countries to observe effective and efficient funding schemes for SMEs (through the commercial banking and the non-banking sector); identification of funders/donors/sponsors to support the mock fundraising schemes; promotion of the mock fundraising schemes to

businesses; pilot transactions and monitoring of the effectiveness and the efficiency of the process – to providers of the funds, to SMEs, and regarding the compliance with the regulatory framework of each country.

4<sup>th</sup> semester: fourth Steering Committee meeting, lessons learned from the pilot transactions; identification of drawbacks and strengths of the new fundraising instruments; identification of policies, laws and regulations that need to be improved to accommodate these schemes or to allow for more efficient fundraising process; defining work plan for the second phase of the project; fifth Steering Committee meeting.

## **Phase II: Monitoring of the action plan implementation**

5<sup>th</sup> semester: each region starts implementation of its action plan; the relevant stakeholders for the implementation are mobilized. Project partners meeting

6<sup>th</sup> semester: monitoring of the action plan implementation through regular contacts with stakeholders and beneficiaries of the different actions; reporting on the progress. Project partners meeting

7<sup>th</sup> semester: 1 high level political dissemination event; monitoring of the action plan implementation through regular contacts with stakeholders and beneficiaries of the different actions; reporting on the progress. Project partners meeting

8<sup>th</sup> semester: Final partners meeting; final progress reports.