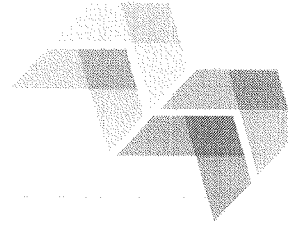


Action Plan Offenbach (ATM for SMEs) Version 11

February 2019



Part I – General information

Project: ATM for SMEs
Partner organisation: KIZ SINNOVA
Other partner organisations involved (if relevant): KIZ
Country: Germany
NUTS2 region: DE71 Darmstadt
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Part II – Policy context

The Action Plan aims to impact the implementation of the local policy instrument “Masterplan Offenbach”. This policy instrument is to improve the economic development in Offenbach combining strategies for attracting new businesses and increasing living conditions locally. The Masterplan Offenbach is a long-term strategy, developed under active participation of Offenbach’s citizens. The Masterplan highlights the importance of addressing economic development and provides suggestions it leaves room for concrete measures and activities.

The Masterplan Offenbach distinguishes two basic elements:

1. Infrastructure
2. Strengthening the local economy

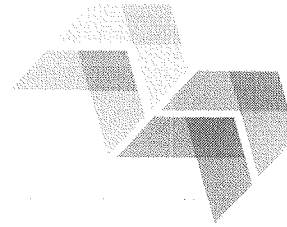
The topic of infrastructure is described in great detail and concrete suggestions for its implementation are made. The subject of the development of the local economy is much less developed. ATM for SMEs has been addressing this part of the Masterplan, by developing and testing a set of different measures and activities using additional funds from the CITI foundation and Accenture (CSR). Therefore, the project has been, on the one side, a matter of concretization and, on the other, a framework for testing new and / or improved measures / initiatives. This includes:

1. Intensification of cooperation with local partners (Gründerstadt Offenbach)
2. Improvement / reorganization of the granting of loans (especially micro-loans)
3. New mentoring program; Involvement of local stakeholders to improve start-up funding

New Projects:

There are two new projects, which are partly financially supported funds from the city of Offenbach:

1. Beehive (City and Generali: capital for micro-loans for grants to implement a concrete order)
2. Mentoring: City grant



The aim is to receive funding from private (CSR) and public funds, which makes a significant contribution to sustainability.

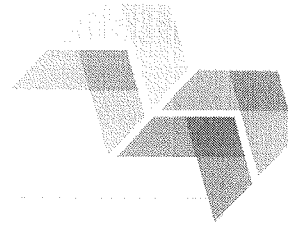
The actions of this Plan are not to change the overall, political Masterplan Offenbach itself, but rather to function as an implementing measure realizing its aims regarding the attraction of new business and economic development. To ensure the long-term sustainability of the proposed actions, they will be integrated into the concrete long-term entrepreneurial project “Gründerstadt Offenbach”.

Name of the policy instrument addressed: Masterplan Offenbach.

Part III – Details of the actions envisaged

The Action Plan envisages to implement four actions that emerged from the first project phase:

1. Mentoring system for high potential entrepreneurs in Offenbach
2. Beehive Model
3. Engagement of private partners



Summary of actions to be implemented in Offenbach

Mentoring system for high potential entrepreneurs

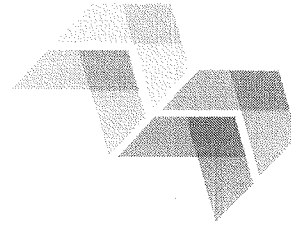
The mentoring programme in Offenbach is to focus on the needs of young and high potential entrepreneurs and support them in the transition from the start-up phase up to two years after business creation. In particular, the phase right before and after registering the business is crucial for young entrepreneurs. In the framework of this project high potentials are not only graduates or PhDs in STEM subjects, but also craftsmen with innovative approaches, people with clever ideas or people gifted in design, communications, marketing and sales. Dedicated mentors will come from existing contacts established in the first project phase to the “Wirtschaftsjunioren” or the “Handwerkskammer”. The mentoring programme and emerging success stories will be promoted in the media to create a “branding for the programme” with the aim to make it a go-to place for entrepreneurship support. The mentoring programme will be very closely connected to the second action: the beehive model.

And what is the benefit for the city of Offenbach? As a PwC in-depth assessment of the Spanish Young Business (YBS) support project (2013-2017) demonstrated, mentoring programmes not only significantly increase the survival rate of start-ups participating, but these companies together made a measurable impact in terms of public finance, by increasing social security contributions, personal income, corporate income tax and VAT.¹ It is certainly a labour intensive and time consuming path to develop and grow a multitude of start-ups into a tissue of SMEs for a city, but such a home grown tissue of small companies might prove more sustainable and rooted in the city than large investors.

Beehive Model (Community investment model)

The Beehive is a self-driven autonomous community for order pre-financing with elements of microfinancing. As the lending period is limited to 3-6 months interventions from loan officers will be reduced; which reduces the cost of the model and makes it essentially self-sustainable. Supplementary guidance by mentors and coaches further significantly reduces the risk of default. The use of mentors also offers the possibility of long-term follow-up (12-24 months), which otherwise cannot be guaranteed, as e.g. coaching is currently financed and subsidized only in the pre-start-up phase. It is expected that the mentors can be generated from the pool created under Action 1; people that are interested to not only work with a single mentee but with a small community of young entrepreneurs. Here again branding of the Beehive will be essential to attract mentors and coaches that are willing to work for the community for free. Experience with YBG show that this is possible to a certain degree. In addition, the project will tap into existing infrastructures such as the EIB scheme which supports coaching migrant entrepreneurs in the post start-up phase. More importantly, it is necessary to

¹ PwC, 2018, Evaluación del impacto socioeconómico del programa de mentoring de Youth Business Spain (executive summary in English).

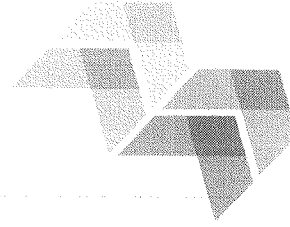


understand and implement the Beehive model as a local instrument of several stakeholders (City, Sparkasse, IHK, HWK, WiJu etc.). Coordinated engagement of multiple partners allows transaction costs to be absorbed, e.g. through access to workshops / seminars of various providers who are also involved in the Gründerstadt Offenbach. The Beehive model therefore sees itself as an instrument of the Gründerstadt, analogue to the mentoring program.

In principle the model is scalable, however, our expectation is that the demand is not enormous, also as young entrepreneurs eventually outgrow the community. With the unused sum of 40.000 Euros from a previous micro-credit scheme, we expect that 300 young entrepreneurs can be supported in Beehive teams (15 entrepreneurs each). These Beehives could become composed of start-ups around thematic clusters such as programmers, creative economy, certain crafts or traders, or they could be mixed to enable peer learning. KIZ' experience with micro-loans for founders out of unemployment at the Ostpol Gründerzentrum had default rates of below 1%. We therefore expect the Beehive fund to be revolving.

Engagement of private partners

In the city of Offenbach, the engagement of private partners might prove to be more challenging as there are no headquartered large companies, entrepreneurial families engaged for the city or a large Technical University. Using the trends of corporate engagement in their community along the lines of Corporate Social Responsibility and the Sustainable Development Goals (SDGs), KIZ will approach large companies such as Hyundai or ManRoland (offset presses), banks such as the Sparkasse Offenbach or the Hessische Landesbank (Helaba) or smaller companies producing electric motors, lighting, polymers, tapestry and paints or system houses to assess interest for cooperation and engagement with young entrepreneurs. While success is not guaranteed, it is worth a try to engage at least a couple of companies for Offenbach.



ACTION 1 - Mentoring system for high potential entrepreneurs in Offenbach

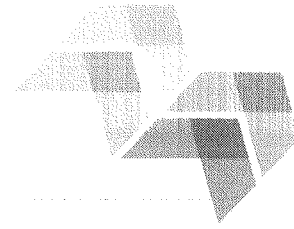
1. The background

The ratio between opportunity entrepreneurs and necessity entrepreneurs has never been better before. Especially young people are keen to start a business, to work independently, pursue their own ideas and make the world a better place. They, however, face specific hurdles due to limited work-experience, deficiencies in their professional network and less savings. To have a fair chance of success, particularly young and high-potential entrepreneurs need high-quality and adequate support.

High potential entrepreneurs are commonly understood as people creating fast-growing technology companies in areas such as artificial intelligence, Internet of Things (IoT), new materials, biotech, etc. Often these start-ups are creations out of universities or research centres. The German programme EXIST caters very well for the high-flyers among these high potentials. There are many more starters with potential who deserve support. There are for instance many hidden champions – small companies being the global leader in their niche market - that are not high-tech but based on craftsmanship, an innovative idea, an entrepreneurial mind or a very good seller behind the venture. Competitive advantages of such hidden champions are rarely because of cost leadership (being the cheapest), more because of quality, high performance, and close cooperation with the customer. They "earn" their market leadership through performance and not through price aggression. Names as Britta Filter come to mind. In the framework of this project high potentials are therefore not only graduates or PhDs in STEM subjects, **but also craftsmen, people with clever ideas or people gifted in marketing and sales.**

Offenbach shows strong entrepreneurial activity compared to other cities in Hesse. According to „GRÜNDERREPORT 2017 der hessischen Industrie und Handelskammer“ the density of entrepreneurs starting a business per 1.000 inhabitants was the highest in Offenbach in 2016, followed by Frankfurt and Wiesbaden. There is a strong community and support schemes in place for entrepreneurs, e.g. consulting services, entrepreneurial support programmes and initiatives, the Zollamtstudios or the Gründerzentrum Ostpol (Masterplan Offenbach). Offenbach's high entrepreneur density is characterized by entrepreneurs with a migration background. 57% of all people living in Offenbach have a migration background, an attribute that creates a dynamic and open society, with a high potential for innovative ideas and diverse skills including problem-solving through different and complementary points of view (Masterplan Offenbach).

Moreover, in Germany and Hesse the trend of starting a business out of universities is increasing. While in 2013 1.700 businesses were started at universities (Wirtschafts Woche Gründer), the figure increased to 6.401 start-up projects (Gründungsradar 2016). This shows a clear trend of new, educated and young people, often students (high-potential entrepreneurs) wanting to start a business. This new target group has rather comprehensive entrepreneurial knowledge due to easily accessible



information channels, e.g. Youtube, TedX talks, podcasts, blogs etc. However, they still need dedicated support to apply this knowledge, get more involved in professional networks, be part of the entrepreneurial scene to make use of peer learning. All these elements combined provide the knowledge necessary for entrepreneurs on their way into starting, sustaining and growing a business.

Against this background KIZ launched the initiative Youth Business Germany (YBG)² with dedicated support from Young Business International (YBI) and funds from Citi Foundation and Accenture. The programme focuses on the needs of young and high potential entrepreneurs and supports them in the transition from the start-up phase up to two years after business creation. **In particular, the phase right before and after registering the business is crucial for young entrepreneurs.**

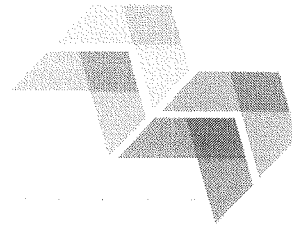
PwC performed an in-depth evaluation of the Spanish Young Business (YBS) support project (2013-2017). It concluded, that not only the survival rate of start-ups participating in the mentoring programme significantly increased, but that the companies made a measurable impact in terms of public finance, by increasing social security contributions, personal income, corporate income tax and VAT.³

In the framework of the INTERREG project “ATM for SMEs” already existing support schemes for entrepreneurs were successfully connected and new forms of support for high potential entrepreneurs and successfully tested. Essential elements for the support were:

- **Training and coaching:** A clever combination of training and coaching sessions to support entrepreneurs in different stages of development, addressing challenges that typically pop up in various phases of business development.
- **Mentoring programmes:** Mentoring should be a key component of every entrepreneurial support scheme because it begins where most programmes have already ended, in particular after the business registration.
- **Mentoring Managers:** The corner stone of a good mentoring programme is a so-called “Mentoring Manager”. A mentoring manager is a person who is close to mentors and mentees and can facilitate their working process and provides support if necessary.
- **Networking and community building:** Community building events should take place on a regular basis. There should also be the possibility to interact and exchange between different events.
- **Access to new markets:** An adequate access to markets support is a valuable service which attracts more high-potential entrepreneurs.
- **Relationship manager:** Ideally, an entrepreneurial support programme establishes the role of a relationship manager, who coordinates the whole programme and supports each entrepreneur individually from the first to the last day of the programme. The relationship

² For further information: <http://youthbusiness.de/>

³ PWC, 2018, Evaluación del impacto socioeconómico del programa de mentoring de Youth Business Spain (executive summary in English).



manager also builds strong relationships with other relevant stakeholder and, in particular, the private sector.

- **Local start-up ecosystem:** Only the regions with an interacting and dynamic ecosystem will have a flourishing and strong start-up environment and be attractive for innovative ideas.
- **Partnerships with other key actors on an international level** need to be constantly maintained and expanded to facilitate learning and cross-fertilisation and increase the local impact.
- **Innovative access to finance:** Innovative ways of financing should be tackled in every start up programme without replacing traditional ways of business financing.

Consequently, the dedicated support scheme for young high-potential entrepreneurs developed and tested in the framework of the 'ATM for SMEs' project **will be piloted on a larger scale in Offenbach, targeting university graduates, craftsmen with innovative ideas (e.g. related to food or smart homes) or good sales people with an entrepreneurial spirit that can drive the growth of companies around agile teams of highly educated and skilled people.** Key for the success will be on one hand the identification of suitable and dedicated entrepreneurs. Therefore, cooperation schemes with Universities (graduates and graduates from dual education systems), technology transfer centres, Chambers of Commerce and regional hubs of industry /sector organisations will be established. On the other hand, it will be key to attract sufficient dedicated mentors with various backgrounds. Contacts established in the first phase of the project to the "Wirtschaftsjunioren" and the "Handwerkskammern" will be further developed to engage successful entrepreneurs as mentors.

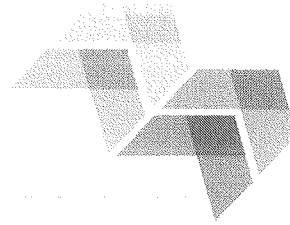
Relevance to the project

This Action was initially inspired by the best practice of PORA (Croatia) which demonstrated the importance of non-financial services for the success of young entrepreneurs. PORA combines financial and non-financial services and provides financial and advisory support. The longer-term support of young entrepreneurs, in particular following the business creation is basically not supported by public funding in Germany. Therefore, KIZ opted for the creation of a mentoring programme based on a successful scheme in Barcelona (Spain), which demonstrated the measurable improvement of the sustainability of newly founded companies through mentoring. The mentoring approach was thoroughly assessed, KIZ pursued accreditation with the creator of the Mentoring Scheme Young Business International (YBI) and chose the approach for the implementation phase of the ATM for SMEs project.

Impact of the Action on the policy instrument

This Action Plan aims to impact the local policy instrument "Masterplan Offenbach", which aims to improve the economic development in Offenbach combining strategies for attracting new businesses and increasing living conditions locally.

The Mentoring programme is a concrete measure regarding the attraction of new business of the Masterplan Offenbach. Home grown business is more and more seen as a solid basis for locally rooted economic growth. The mentoring programme aims to support young entrepreneurs to make their



business sustainable and potentially grow. It will also create a network among the established entrepreneurs supporting the programme. Ideally a tissue of old and young entrepreneurs forms a strong and resilient local business community of Offenbach.

To ensure the long-term sustainability of this action, the aim is to bundle it with the project “Gründerstadt Offenbach”. The city has been engaged in this project for many years, which helped the branding of the city as start-up friendly. The mentoring programme is to become a permanent part of this project, to finance a mentoring manager (as described above) who implements and grows the programme. The Gründerstadt Offenbach is part of the wider and more political “Masterplan Offenbach”.

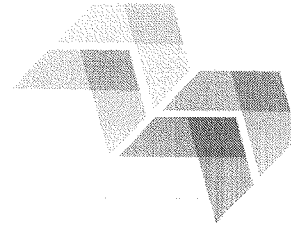
2. Action

Action will be focussed on the identification of suitable candidates and the piloting of the support programme on a larger scale in Offenbach:

- Essential for the success of this programme will be the identification and engagement with potential candidates. To achieve this particular effort will be made to create and strengthen partnerships with Universities, technology transfer centres, chambers of commerce, craftsmen organisations, sector associations, etc to be able to inform potential candidate about the existing offer.
- The support mechanism implemented over a period of two years will consist of partnership, training, innovative coaching and mentoring. The mentoring will be the corner stone of the training programme with a “mentoring manager” coordinating and facilitating the work process. The ‘mentoring manager’ will at the same time be the relationship manager of the programme, who coordinates the whole programme and supports each entrepreneur individually from the first to the last day of the programme.
- Actively develop and grow a pool of mentors with a large variety of specific backgrounds. KIZ will leverage its contacts to relevant organisations in Hesse such as the “RKW Rationalisierungs- und Innovationszentrum der Deutschen Wirtschaft e. V.”, the “Wirtschaftsjunioren” of the Handwerkskammer.

The table below visualises the elements of the programme and puts it in relation to objectives and expected results.

Objectives	<p>KIZ's programme increases the opportunities for high potential entrepreneurs to start, strengthen and scale a sustainable business</p> <ul style="list-style-type: none"> *More sustainable high-potential business are created *Young high-potential business are strengthened and better managed *Supported high potential business drive innovations and access to new markets <p>Strong networks are created including start-ups and existing large and small companies</p>

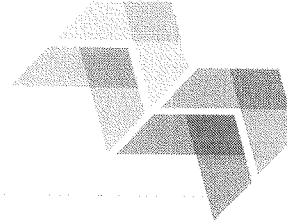


Expected Long-term Outcome	<ul style="list-style-type: none"> * High-potential entrepreneurs make a substantial contribution to mastering structural change in Offenbach and creating a positive image as a start-up city * Knowledge-carriers and innovators are attracted and retained in Offenbach * The sustainable start-ups make a substantial contribution to public finance via social security contributions, corporate tax, personal income and VAT 				
Expected Intermediate Outcome	Young high potential entrepreneurs have the attitude, knowledge, ties to markets and financial means to start, scale and sustain a business/ enterprise				
Outputs	<ul style="list-style-type: none"> * Setting up of support-infrastructures such as access to finance and business locations and new/home markets See Action Beehives 	<ul style="list-style-type: none"> * Once a month training provided by a qualified trainer * More than 100 entrepreneurs completed the basic training in 2 years 	<ul style="list-style-type: none"> * Once a month a coaching with a qualified trainer is provided to the entrepreneurs * YE attend the coaching session 2 years 	<ul style="list-style-type: none"> * Mentors trained and fill in profile * Mentees trained and fill in profile * More than 40 matches * Mentor and mentee work together for 12-24 months 	
	Support mechanism for high potential Entrepreneurs				
Activity	Partnership	Training	(Innovative) Coaching	Mentoring	
Assumption	Young high potential entrepreneurs are better-off if they connect with numerous supporting structures, activities, source of financing	Young high potential entrepreneurs are looking for trainings to develop basic business skills	Young high potential entrepreneurs are looking for (innovative) coaching methods	Young high potential entrepreneurs are looking for support through a mentor	
Underlying assumption	Entrepreneurship is a sustainable way to drive economic growth and drive economic empowerment and create innovation. In particular high-potential entrepreneurs can drive structural change, attract and retain knowledge carriers and have an impact on public finance				

3. Players involved

The implementation project will put particular emphasis on developing the local ecosystem by reaching out to regional universities, regional event/fairs, institutions, large companies and utilities as well as office space providers. Further, the project partners will maintain and develop international contacts to support market entry for entrepreneurs and develop and international network in which the young high-potential entrepreneurs can tap in.

This activity will be implemented by KIZ.



4. Timeframe

The timeframe for this second phase of the project will be 2 years, to have sufficient time to create a brand for the mentoring programme, implement it as described and measure the impact of the mentoring scheme on participating young and high potential entrepreneurs. The 2 years also include the time needed for closing the project, in fact the last three months are dedicated to this activity.

The table below also shows the link to actions 2 and 3 and important milestones in 2019. The monitoring report will assess the activities and their impact on Offenbach.

Activity	2019												2020												2012		
	April	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar			
Discussions with stakeholders of the city						M			L																		
Building of a website with registration tool																											
Production of videos on supporting founders							V																				
Maintenance of online tool (case studies, news, blogs, interviews, etc.)																											
Engagement with mentors and mentees; matches									WS																		
Hand-out of credits/establishment of beehives (link to Action 2)																											
Engagement with private partners (Action 3)																											
Monitoring																								R			

- R Report
- L Official launch of the mentoring programme
- M Strategic meeting of stakeholders
- V Videos
- WS Workshop with mentors, mentees and partners

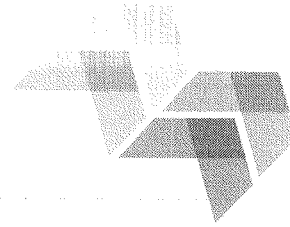
5. Costs

Cost are principally labour and some travel costs. A working day is assumed to have 8 working hours.

Position	Time required	Cost
Mentoring manager/relationship manager	36 days	14.400,00€
Training for entrepreneurs	4 Trainings á 4h (mentee workshop)	80000€
Training for mentors	4 Trainings á 4h (mentor workshop)	800,00€
SUM		16.000,00€

6. Funding source

KIZ will use own funds to launch the programme. The mentoring Programme is then to become part of the Gründerstadt to ensure the long-term financing of the mentoring manager, as without this person the programme will not succeed.



ACTION 2 - Beehive Model (Community investment model)

1. The background

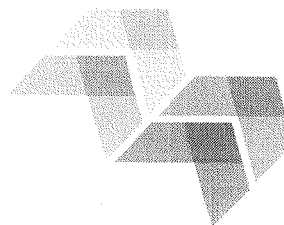
Germany is in the fortunate position to have a banking sector that provides a large variety of financial products, including small and micro loans. Missing are rather systems that support young entrepreneurs to access capital in the early stages of their entrepreneurial journey. For this reason, Action 1 has been developed.

A survey among young entrepreneurs conducted in the first phase of the Interreg project ATM for SMES however clearly **demonstrated the trend that start-up financing goes away from traditional bank lending towards new financing methods such as cooperating with an investor**. Many young and high potential entrepreneurs do not feel very comfortable asking for credit. They prefer to use the crowd (i.e. with Crowdfunding or Crowdfunding) or they even follow a lean start-up concept and try to grow organically with little investments at the beginning.

The total volume of Crowdfunding in Europe amounted to 7.671 bn Euro in 2016 with 73% of the volume made up by the UK. Crowdfunding is a very emotional process, and the entrepreneur needs to be an excellent communicator and put considerable effort into the campaign to make it a success. The failure rates of Crowdfunding projects are as high as business failures. Business angels have started to work with Crowdfunding platforms, as successful crowd funded ventures are likely to succeed in the next round. Also, in Crowdfunding a concentration process is ongoing as many platforms are not profitable. More money is going into fewer projects with a growing gap in pre-seed investments. As costs of Crowdfunding are high, there are doubts that this is a suitable tool for young high potentials entrepreneurs in a pre-seed phase as targeted in the ATM for SME project.

KIZ believes that a successful entrepreneurial programme has to cater for financing needs and include innovative ways of financing that complement traditional ways of business financing. To get a better understanding of the suitability for financial instruments for young entrepreneurs, an analysis of available funding tools was performed in the first part of the ATM for SMEs project:

- **Loans:** Loans are not indicated in the pre-seed nor seed phase. Despite the fact that access to finance in early stages is difficult and risky, loans have a rigid payment structure in instalments that follow deadlines and, consequently, the absolute necessity of generating revenue within a certain time frame.
- **Microcredit:** Indicated in the seed and growth phase. It can be suitable in the (late) pre-seed, but it might still lead to indebtedness if the entrepreneurs lack a viable business model.
- **Investment:** Investments are by definition scarce and seek out the best yield, conditions that are hardly satisfied in initial stages due to low predictability of outcomes.



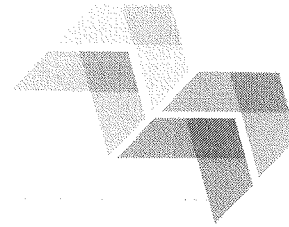
- **Peer-to-peer (P2P):** It could be used in the pre-seed and seed phase. It is a less bureaucratic option, but it still poses similar risks of indebtedness as that of a loan with a rigid instalment and time frame structure.
- **Crowdfunding/Crowdinvesting/Micro-crowd:** Crowd options are suitable for a head start. It demands a lot of effort and could also be the case that the entrepreneurs need early stage financing to carry the Crowdfunding through.
- **Beehive:** Beehive was designed for the pre-seed phase, as it focuses on supporting the pursue of a viable business model with small, short-term order prefunding. It is a lean, community type finance model maximizes success conditions while reducing risks for entrepreneurs, funds and investors.

The table below summarises the assessment of financial instruments in the different development phases of a young company. In the customer development phase (pre-seed phase) loans, investments and Crowdinvesting are not suitable tools. Microcredits could potentially be a suitable instrument at the end of the pre-seed phase. At this point in time the entrepreneur needs a rather small, very short-term loan to cover the costs for delivering an order, e.g. purchase of seasonal goods, pay a specialist to deliver an App-development or finance an exhibition. The micro crowd is currently not available in Hesse and other crowd funding (CF) instruments are not available to many ideas, as the CF market is currently being rearranged. The Beehive model clearly emerges as the most appropriate financing type in this very early phase of the company, when entrepreneurs are developing first customer relationships and still adapting their business model while delivering on first orders

Finance Type	Pre-Seed	Seed/ Development	Growth
Loan	---	---	+++
Microcredit	- / +	+++	+
Investment	---	+	+++
P2P	-	+	-
Crowdfunding	+	+++	-
Crowdinvesting	---	-	++
Micro-crowd	+	+++	-
Beehive	+++	+	-

--- Too risky
 -- Not advisable
 - Not the most suitable option
 + Possible, not advisable
 ++ Suitable
 +++ Ideal

According to our experience, the amount required by a young entrepreneur in the pre-seed phase is likely to be maximum 2.500 Euro, needed for three- six months. Even charged at an interest rate of 10%, the amount will only generate around 60 Euro revenues for the Bank over the three months lending period and is thus simply not interesting. Normally such financial requirements are served



with an overdraft facility, which the young entrepreneur will have access to only after 3-4 years in business.

What is the Beehive Model?

With adapting and piloting the Beehive model KIZ aims to tackle this funding gap in the pre-seed phase of young high potential entrepreneurs. The Beehive is a self-sustainable group of entrepreneurs for order pre-financing where the involved parties determine to a large degree jointly the decisions. As the lending period is limited to 3-4 months no loan officer is needed who intervenes immediately in case of default; this reduces the cost of the model and makes it essentially self-steering. Supplementary guidance by mentors and coaches significantly reduce the risk of default. The use of mentors also offers the possibility of long-term follow-up (12-24 months), which otherwise cannot be guaranteed, as e.g. coaching is currently financed and subsidized only in the pre-start-up phase. However, it is important to have continuous support in the first 12 months.⁴ It is expected that the mentors can be generated from the pool created under Action 1; people that are interested to not only work with a single mentee but with a community of young fifteen entrepreneurs. Here, branding of the Beehive will be essential to attract mentors and coaches that are willing to work for the community for free. Experience with YBG has shown that this is possible to a certain degree. Additionally, the support currently provided by members of the Gründertsadt Offenbach initiative could be closely linked to supporting entrepreneurs engaged in the local Beehive. To increase the effectiveness and efficiency of a local Beehive it is necessary that all stakeholders work together locally and consider such a model as a Gründerstadt Offenbach initiative rather than an initiative of only one organisation.

In principle the model is scalable, however, our expectation is that the demand is not enormous, also as young entrepreneurs eventually outgrow the community. With the 40.000 Euros from an earlier microlending fund, we expect that 300 young entrepreneurs can be supported in Beehive teams. These Beehives could be composed around thematic clusters such as programmers, the creative economy, craftsmen or traders, or they could be mixed to enable peer-learning and cross-sector fertilisation. KIZ' experience with micro-loans for founders out of unemployment at the Ostpol Gründerzentrum had default rates of below 1%. We therefore expect the beehive fund to be revolving.

The functioning of a Beehive

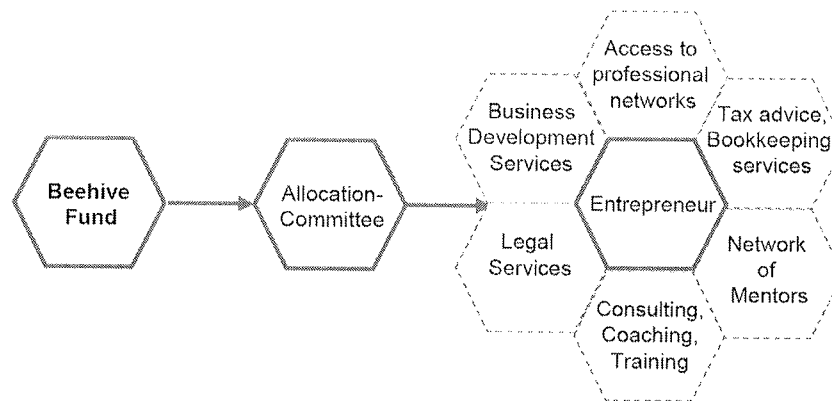
The business model even of young high potential founders is often not well developed and tested in the market. To make the young entrepreneur successful, resources and an appropriate support framework are needed, rather than a mere credit. The inclusive and participatory beehive model is ideal to support starters at a very early stage. It builds on quick access to working capital to process an order. The founder is part of a cluster of 15 young entrepreneurs, on par with mentors, other founders, etc. who are jointly responsible for the capital of a beehive. If not all members of a cluster

⁴ PWC, 2018, Evaluación del impacto socioeconómico del programa de mentoring de Youth Business Spain (executive summary in English).



need money at the same time the capital usage is optimised. At the same time the risk of loss is low as cluster member support each other and the risk is distributed. Most importantly the working capital help the entrepreneurs to recognise a market demand and the creation of a customer base outside the own country. The aim of the beehive model is not only to provide capital for the first steps but improve in general the conditions for business creation.

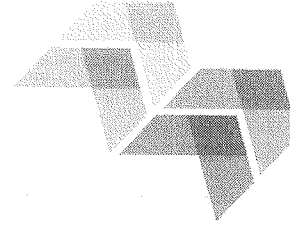
The figure below depicts the lean structure of the beehives model that can be easily implemented and expanded to include more partners:



Funding of business support

Our assumption is that transaction costs will decrease if an effective support structure is in place that provides the loan life cycle support that the borrower needs to make the business successful. Currently, these non-financial support forms are financed by different sources. The Employment Agency and the Job Centers can for instance support the self-employed in certain phases. As part of the EaSI programme, the EU has launched the Business Development Services Pilot (BDS), to strengthen the provision of BDS to refugees and migrants contributing to their financial and social inclusion. The program of the EIF also applies in the post-start-up phase, which is decisive for the success of a company. In the post-start-up support, there is currently an undeniable shortage. This gap can currently be reduced by private sector involvement (e.g. CSR funds: Generali, Accenture, CITI foundation). KIZ will tap into these existing sources whenever possible to make the support sustainable.

More importantly, it is necessary to understand and implement the Beehive model as a local instrument of several stakeholders (City, Sparkasse, IHK, HWK, WiJu). Coordinated engagement of multiple partners allows transaction costs to be absorbed, e.g. through access to workshops / seminars of various providers who are also involved in the Gründerstadt Offenbach. The Beehive model therefore sees itself as an instrument of the Gründerstadt, analogue to the mentoring program.



Relevance to the project

The Loan Fund of the Swietokrzyskie Voivodeship (UMWS Poland), the Sardinian COOPIN (Italy) and the PORA Programme in Croatia inspired the Beehive Model, which is to be tested in the second project phase.

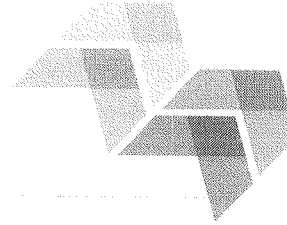
The UMWS Poland provides loans to micro, small and middle-sized enterprises or entrepreneurs who are about to establish their own business. The loan amount is linked to the size of the business. Hence, the maximum loan amount increases with the size of the company. Entrepreneurs to have access to a **fast-track micro credit process (2-6 weeks)**. UMWS Poland provides a short and handy loan decision process and **does not charge for the examination of the applications**.

COOPFIN, **which is recognized by the Bank of Italy as a Microcredit provider**, aims to help micro enterprises and cooperatives to obtain a micro loan and strengthen the economic viability of cooperatives.

PORA Croatia **couple their microfinance activities with non-financial services e.g. advisory support for entrepreneurs**. The maximum credit amount is also linked to the number of founders and supports joint business creations. Priority groups are e.g. people with disabilities, long-term unemployment or women. PORA sets a specific focus on the priority group “women”. Projects which actively involve women into the labour market were implemented and women were provided with e.g. counselling and legal assistance. **The best practice from PORA demonstrated that access to capital is particularly successful when coupled with non-financial services**. Over a period of 12 month the young entrepreneurs have to write a business plan, receive support from an advisor and receive financial support and can apply for a microcredit. Moreover, PORA presented an example of Good Practice of a social enterprise. The social enterprise, which produces chocolate, had the aim to employ men and women with disabilities. They also used Crowdfunding campaigns to finance a part of their business.

Offenbach reaches out to similar target groups (Woman, Social business, unemployed) and the financial tool of “Crowdfunding” seemed a powerful approach to support these specific target groups. Following the inspiration, KIZ assed different funding tools for their suitability of our vulnerable target group in Offenbach. The result was the Beehive Model that integrated the fast credit process (as used in UMWS) with the concept pursued in PORA (Croatia) that the allocation of microcredits needs to be coupled with non-financial support measures. The Sardinian COOPIN inspired KIZ to seek recognition from the German financial authority BaFin to provide micro-loans directly using the German Microfinanz Institute. This would allow to shorten the credit application process and make it less expensive.

The Beehive model strongly builds on the ideas of assisting and surrounding the entrepreneur over a period of 12-24 months to increase the chance of sustainability of his/her business. The young entrepreneurs receiving a credit have to support each other. They also have access to the mentoring programme (Action 1).



Impact of the Action on the policy instrument

As a result of the ATM for SME project the old “Ostpolkredit” is being revived to provide funding to young entrepreneurs to test their business case. The old microcredit scheme came to a hold as the supporting GLS Bank withdrew. With the new approach and the recognition of BaFin to hand out micro-credits without a bank, the city of Offenbach gave their go ahead to reinitiate a micro-credit along the lines of the Beehive scheme using untapped remaining funds from the past scheme.

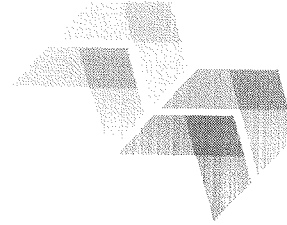
The revival of the microcredit line nicely fits into the entrepreneurial project “Gründerstadt Offenbach” of the city and the wider Masterplan. It is an important brick to the overall Masterplan strategy to develop and attract business. We aim to link the credit scheme to the mentoring programme so that all entrepreneurs receiving a microcredit are also supported by a mentor and ideally become part of the entrepreneurial tissue in Offenbach.

The credit scheme and the mentoring programme are targeted and important tools to implement the Masterplan’s strategic goal of economic development. Both programmes will be launch before the end of 2019 (see below).

2. Action

In summary, the second phase of the project will build on the work of the first phase and perform the following tasks:

- a) **Application for a written consent to hand out seed financing with BaFin (priority activity):**
According to the German Banking Act, anyone wishing to conduct banking business or provide financial services on a commercial basis or to an extent that requires commercial operation, requires the written consent of the supervisory authority. The Federal Institute (BaFin) shall apply § 37 (4) of the Administrative Procedure Act. Notably, a consent for handing out microcredits to women has been granted to the organisation ‘WeiberWirtschaft’ under the condition that no interest was charged, and the total lending portfolio would not pass a million Euro.
KIZ aims to apply for a written consent; the capital to be handed out under the Beehives model are planned to be very small and no interests will be charged.
- b) Making the Beehive order pre-financing model operational (including IT) using the Deutsches Microfinanz Institut (DMI) to hand out the credits.
- c) **Workshops/ seminars:** Young entrepreneurs will be informed about this community financing model. Suitable candidates will be invited to be part of the Beehive cluster.
- d) **Beehives comprising the following steps and processes will be piloted on a large scale:**



Beehive fund: A capital donor invests in a revolving Beehive fund. The money is transferred to a trust account. Initially the pilot can tap into the existing fund provided by the Generali.

Award committee: A contractual agreement is made on who can access how much money; the decision is made by the award committee which is comprised of mentors and founders with the idea to create a joint responsibility and make the fund revolving.

Support: A mentor supports the entrepreneur and secures the investment.

Working capital: the entrepreneurs only get as much money as they need to fulfil a concrete order. The aim is the development of a sustainable business model.

Repayment/fees: After successful processing of the order, the capital is repaid with an additional 10% fee annually and transferred back to the trust account.

The entrepreneur follows the following process:

1. Application for working capital
2. Pitch to the Award Committee – the presentation is prepared with the support of the mentor and then presented to the cluster; the improved tested version is then presented to the Award Committee.
3. Decision to support: All partners in a cluster and 1-2 founders are part of the Award committee. The involvement of all actors in the funding decision is strengthened responsibility and mutual support of the cluster members. All members of the Beehive support the founder in the following phases to ensure repayment.
4. Contract
5. Payment
6. Repayment as contractually agreed.

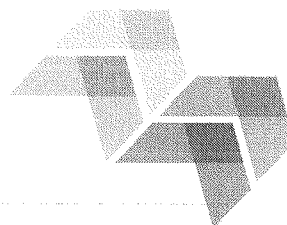
The Beehive shall be a sustainable low-cost structure with a revolving fund combining financial and non-financial support.

3. Players involved

KIZ will perform the above-mentioned tasks: obtaining the written recognition from BaFin for handing out microcredits under the tolerance limit provided by the German Credit Law, changing the status of the DMI and agreeing them with other members of the association as well as to set-up and operate the credit scheme in Offenbach.

4. Timeframe

This activity will run in parallel to the other project activities for 24 months. Following the consent of BaFin and the change of the statutes, an operational structure will be set up, so that by month 6, a



first workshop with potential Beehive candidates can be organised and first loans should be handed out by December 2019.

Activity	2019										2020												2021		
	April	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Bafin recognition																									
Change of DMI status																									
Set up of operational structure and IT																									
Hand-out of credits/establishment of beehives																									
Link to mentoring programme (Action 1)								L																	
Monitoring																								R	

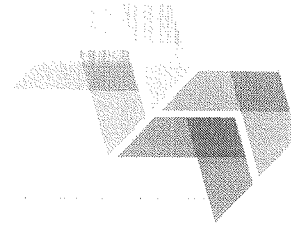
R Report
 L Official launch of the mentoring programme

5. Costs

Position	Time required	Cost
Finance and legal expert	30 days	12.000,00€
Travel cost	2 travels	480,00€
SUM		12.480,00€

6. Funding source

KIZ used own funding sources.



ACTION 3 – Engagement of Private Partners

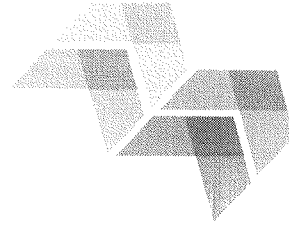
1. The background

The private sector shows interest in connecting with the entrepreneurial scene and would like to increase cooperation with entrepreneurs. Quite often, private companies and utilities would like to benefit from the entrepreneurial mind-set or innovative ideas of young entrepreneurs and be introduced to them. Sometime large companies finance incubators close or within their premises. However, such engagement is often linked to specific interests in terms of sectors, technology orientation or target group. Independently of these more business-related interests, large companies increasingly support specific groups or communities as part of their Corporate Social Responsibility (CSR) activities; publicly listed companies in Europe have to document these activities under the non-financial reporting directive. Often, these CSR activities tie into the UN Sustainable Development Goals (SDG).

It becomes now common practice of large corporations (e.g. BASF, Orange, Philips, Vodaphone, etc.) NGOs assess and rank companies. The German federal government has rewarded companies for their CST efforts. For instance, companies have been rewarded for its sustainable supply chain management, systematic integration of sustainability across the company, social engagement or the hiring of refugees. The SDGs have the effect that the business community is increasingly engaging into women issues or economic development of communities where their facilities are located. While such programmes have in the past mainly focussed on developing countries, we can now witness Google and Samsung financing start-up centres such as MolenGeek in Molenbeek (Brussels) or Cisco who provide grants around economic empowerment, supporting an organisation Entrepreneurship for all in the US and the Grameen Foundation in India, a micro-finance information exchange and a project that supports sustainable social enterprises that solve critical social problems in emerging market economies.

To capitalise on this trend the relationship manager must reach out to regional players to connect with the young high potential entrepreneurs and in return obtain funding, know-how and/or mentors for the programme. In the first phase of the project, the energy utility EVO located in Offenbach cooperated with the ATM for SME project, with KIZ delivering training for mentors and matching of entrepreneurs with mentors and EVO providing mentor candidates and office space. In the second phase, the project aims to engage with other large players to be able to support larger number numbers of mentees and make the local ecosystem sustainable. In the framework of this project it is not intended to create an incubator, but rather to recruit volunteers for the mentoring programme and perhaps have participating companies “host” young entrepreneurs in their premises.

In the city of Offenbach, the engagement of private partners might prove to be more challenging as there are no headquartered large companies, entrepreneurial families engaged for the city or a large Technical University. Using the trends of corporate engagement in their community along the lines of CSR and the SDGs, KIZ will approach large companies such as Hyundai or ManRoland (offset printing),



banks such as the Sparkasse Offenbach or the Hessische Landesbank (Helaba) or smaller companies producing electric motors, lighting, polymers, tapestry and paints or system houses to assess interest for cooperation and engagement with young entrepreneurs. The expectation is that a least a couple engage, providing premises, have programmes to support start-ups or specific groups or are willing to encourage their managers to become mentors.

Relevance to the project

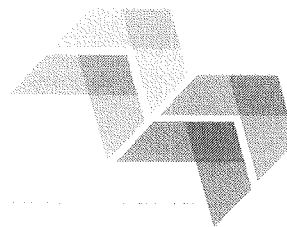
The project partners from Spain set a focus on the creation of working spaces for entrepreneurs. They established an Incubator which allows entrepreneurs to work in a quiet atmosphere and offer them the opportunity to later on move to larger areas. Addressing the needs and challenges of entrepreneurs the CEEI Burgos Incubator appears to be very successful in order to provide rare working spaces for entrepreneurs and give them a place to grow their business within the region. CEEI Burgos presented its activities in the field of entrepreneurship and especially the incubator program generated a lot of interest. The incubator has got space for 20 entrepreneurs and the selection of incubator participants follows strict criteria. One of them is that all participants are not allowed to cause any noise. Therefore, the CEEI Burgos Incubator provides an exceptionally quiet environment which allows the users to focus on their work. Later, the entrepreneurs have also the opportunity to rent single offices or larger areas for their business work.

In the implementation phase, KIZ will approach larger regional companies (e.g. EVO) to inquire whether they are interested in joining an Incubator approach or can provide co-working spaces to young entrepreneurs. Especially the Rhine-Main region is very limited when it comes to living and working spaces and it was noticed that more and more entrepreneurs are struggling in finding a place to work. The CEEI Burgos Incubator approach, combined with the support of regional companies, could be an efficient way to tackle this challenge.

Impact of the Action on the policy instrument

The Masterplan Offenbach also contains important objectives regarding infrastructure and offices, coworking space and ateliers. A major office building project in Offenbach is however frozen due to a problem with asbestos and the future timeline remains uncertain. Our aim is to mobilise local business for the mentoring programme, have them engage in the Gründerstadt Offenbach Project (as the principle vehicle to make these entrepreneurial effort sustainable) and if possible, provide office or co-working space to young entrepreneurs.

As prices for office space are on a sharp rise, this action will be challenging to implement as we are likely to face competition. Nevertheless, we hope to make a contribution to the overall objective of the Masterplan.



2. Action

To achieve the outlined objective in the implementation project, the following actions will be undertaken:

- The KIZ relationship manager will reach out to regional and global companies to win some of them for a cooperation: connecting these companies with the target group of young entrepreneurs and in return obtain funding, premises, know-how and/or mentors for the programme.

3. Players involved

This activity will be performed by KIZ.

4. Timeframe

The workstream will last for 18 months, after which they should be self-supportive. The timeline is less detailed as the engagement with local SMEs depends on the progress of Actions 1 & 2, as this activity aims to support the other activities by recruiting mentors, donations for workshops, etc.

The monitoring will take stock of the success of this activity and report by the end of the project.

Activity	2019												2020												2021		
	April	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar			
Discussions with stakeholders of the city						M			L																		
Engagement with private partners (Action 3)								WS																			
Monitoring												R												R			

- R Report
- L Official launch of the mentoring programme
- M Strategic meeting of stakeholders
- WS Workshop with mentors, mentees and partners

5. Costs

The cost will be principally labour and limited regional travel.

Position	Time required	Cost
Mentoring manager/relationship manager	72 days	20.160€

6. Funding sources

Please see Action 1.



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