

***Action plan: Fife Council – EU CLIPPER***

**CLIPPER LEARNINGS TO BENEFIT LOCAL SME COMPETITIVENESS AND GROWTH**

***Bridging to the Future***

***Using Legacy skills***



***to develop Blue Growth and Sustainable Energy***



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## Part I – General information

Project: EU CLIPPER

Partner organisation: Fife Council

Other partner organisations involved (if relevant):

Country: Scotland, UK

NUTS2 region: Eastern Scotland

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## Part II – Policy context

The Action Plan aims to impact:	x	Investment for Growth and Jobs programme
	€	European Territorial Cooperation programme
	€	Other regional development policy instrument

Name of the policy instrument addressed: Scottish ERDF Programme 2014-2020

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## 1. Scope and Framework

Fife is home to some 360,000 people, to over 10,000 companies and is a short travelling distance from 8 Universities. It is well placed logistically for air, road, rail and sea routes. With 4 ports and a major industrial centre around Rosyth dockyard a historical driver of the economy, it has all the elements of success if it can align its manufacturing capability to new markets and innovate in product and process. Fife's economic strategy is to be one of the country's leading centres for energy, low carbon and renewables. To achieve this Fife will build connections between communities, colleges, universities and businesses. Specifically, the Fife Economy strategy calls improve access to finance and to increase innovation in Fife's SMEs.

CLIPPER Partner regions shipyards have faced the challenges of transitioning from traditional shipbuilding, and they have responded in different ways. There are many similarities in SME support schemes. However, there are also major differences. The project has illustrated that a range of activities must be developed, and that success is often dependent on specific local situation. For learning to be transferrable it must be adapted to suit local circumstance.

## 2. Objective

The Objective of the action plan is to support SME competitiveness in maritime sectors by improving opportunities to collaborate with other companies and organisations, and, to make it easier for them to access funds to support their innovation and growth. The Blue Economy has been identified as an area for growth with both economic and climate change benefits. "Scotland's practical offshore renewables resource has been estimated at 206 GW, a quarter of European off-shore potential and 10% of its wave power potential. Scotland is thus in a strong position to make a real contribution to both the UK's and Europe's achievement of Climate Change targets. The low carbon opportunity encompasses supply chain development as well, strengthening both innovation and SME competitiveness. This has included existing facilities and ports, access to viable energy installation sites and likelihood of attracting investors." [ERDF OP]

As an emerging area it makes sense to build on the embryonic Scottish Maritime Cluster and support it in broadening its capability to become Scotland's Blue Cluster aimed at supporting economic development

## 3. Rationale

The learning provided from the partner regions shows the extent to which clusters can help SMEs find better routes to market than they would working on their own. This applies both to securing commercial

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contracts and to encourage working with academia to develop innovation for which there may be market demand. CLIPPER has also helped show the way in which technology can be used to make access to finance easier to discover and secure in terms of both public and private sources of funds

## **4. ACTION 1: Support development of Scottish Maritime Cluster**

### **4.1 Background**

In alignment with Scotland's ERDF OP aims for Smart, Sustainable and Inclusive Growth Scotland aims to make the most of its off shore and low carbon know-how, those sectors need support to bring in and develop more SMEs, The first CLIPPER meeting visited Pays de la Loire in February 2017 a region that has much in common industrially and geographically with Fife. A visit to Neopolia demonstrated that having large and smaller companies work collaboratively was a very significant factor in achieving local success. This collaboration also involved local government and academia. The final Kiel plenary gave the opportunity to also speak with the North German Maritime Cluster, Pole-Mer- Bretagne and Turku Business Park which is developing its cluster.

#### **Summary of Key Learnings to be transferred**

- Commitment to actively participate and drive a strategy for innovation and growth
- Co-support by local government and industry
- Critical mass of company membership and geographical coverage
- Broad membership to cover a range of maritime activity and their supplier base as well
- Specific industry sector specialisms in themes or grouping such as Marine, Energy, Nuclear, Aerospace, Rail
- Commitment to the organisation can be through secondment of personnel for specific projects or functions to reinforce collaboration between industry and academia
- The Triple Helix describes how economic effectiveness that can be enhanced through close collaboration of public sector, academia and industry clusters. Funds delivered through this close association have been seen to be more effective in delivering economic performance

### **4.2 CLIPPER Regional Cluster organisations**

Each cluster has a different character. Reports are listed in Work Group 2 Toolbox.

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**4.2.1** In Pays de la Loire [Neopolia](#) is a commercial association, run by entrepreneurs. Its objectives are commercial. Membership is based on companies' willingness to be part of an active network. These need not have their primary location in the Region as long as they are willing to contribute actively in the selected industry sectors covered by Neopolia: Aerospace / Maritime and river projects / Maritime Renewables Energies / Nuclear / Oil and gas / Rail. Each member must join at least one sector grouping. Neopolia brings value to members in 3 ways:

- To commercialise collaborative global business opportunities;
- To build a business network and strengthen the links with major market players;
- To support structuring industrial project offerings.

It does this by establishing corporate alliances to seek new business. In 2018, Neopolia created a special legal vehicle to allow members to respond to larger collaborative tenders. This structure has already set up joint tender responses in which financial warranties and insurances have been fathered by Neopolia. This contrasts with traditional systems where supply chain tier contractor would charge the main client with a % to cover the risk of subcontractors. The Neopolia system circumvents this and allows for lower cost bids. Neopolia has 245 members from all over Pays de la Loire

**4.2.2** The [Northern Germany Maritime Cluster \(MCN\)](#) has grown from Schleswig- Holstein to now include 4 adjacent regions. MCN has close links with the local government which sees the cluster as a key part of the economic development of what is a very important sector for the local economy. The cluster mainly comprises smaller companies and the objective is to foster innovation and collaboration to improve the competitiveness and attractiveness of the region

Membership comes from Companies and institutions of business, science and politics working in the maritime industry in Northern Germany. Total budget is €2.1m of which €500,00 is self-financed

Schleswig-Holstein's cluster policy is to bring together business, research and public sector bodies so that they can collaborate effectively. Cluster management is co-financed by the European Regional Development Fund and by Schleswig-Holstein's own financial resources. State bodies can provide equity, grants, guarantees, loans and credits.

MCN.SH has 4 main areas of activity

- Special Projects and topics
- Networking and events
- Skills and competence

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- Tech Transfer and Internationalisation

MCN has 330 members from all over the regions covered with 141 being in Schleswig Holstein. Membership fee starts at 250 euros per year. The annual subscription is graded according to the number of employees or turnover.

### 4.2.3 Other Clusters

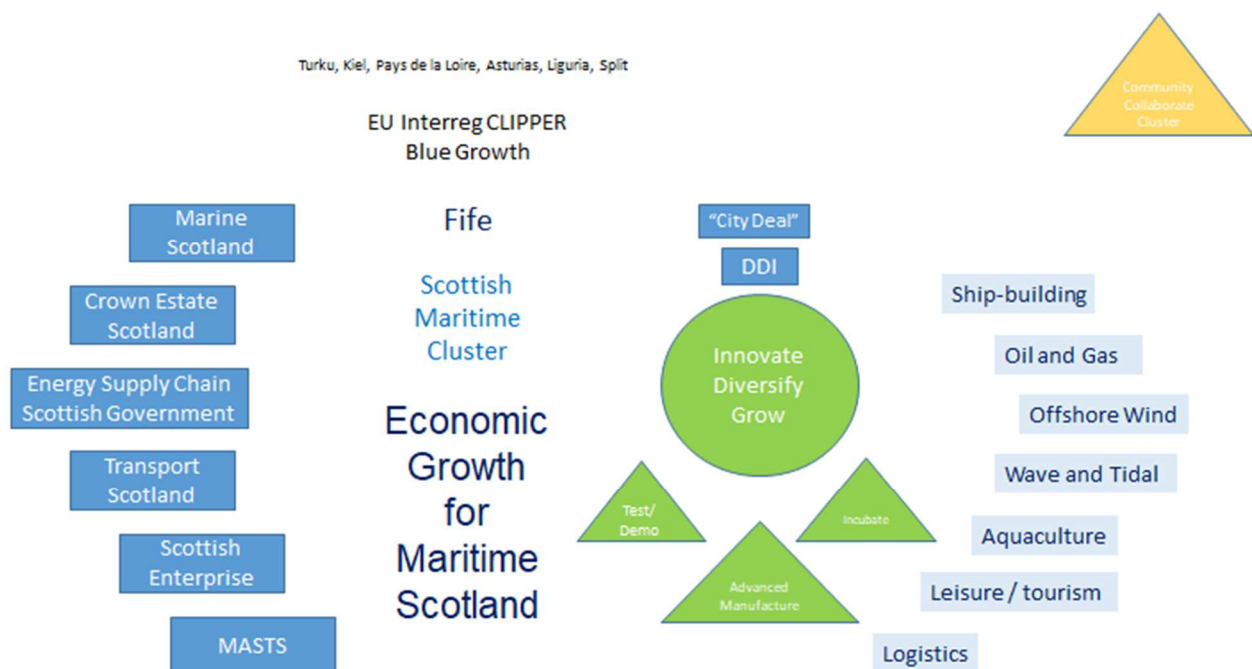
Thanks to meeting arranged at the Kiel Matchmaking event discussions were held with other appropriate organisations

- Pole-Mer-Bretagne has a specific Innovation objective, being one of two Maritime Pôles, or competitive clusters, Pole Mer Bretagne + Pole Mer Mediterranee have been established since 2005 have 750 members and through 559 projects worth €1.6bn attracted €500m of public funds Pole-Mer-Bretagne has 10 full time equivalent staff and 20 secondees. Membership fees range from €300 for companies of less than <10 employees to a max of €5,000 per year. 1/3 support comes from regional government. The main aim is to bridge academic to industry gap. The skills of the Mer Bretagne Atlantique cluster are organised into six major areas identified by their members.
  - Maritime safety and security
  - Shipbuilding and leisure boatbuilding
  - Marine energy and mining resources
  - Marine biological resources Fishing and aquaculture - and Marine biotechnology
  - Environmental and coastal planning and development
  - Port infrastructure and maritime transport
- Turku Science Park Ltd is a limited liability company whose mission is to co-ordinate the business and innovation services in the Turku region. When we visited Turku in 2018 we saw how the shipyard had been turned round and how the supply chain was being encouraged to co-locate and share training facilities. There are perhaps parallels with Rosyth that could learn from the new moves to establish a Blue Growth theme in Turku and to link in its academic infrastructure with a focus on the geographical location. The principal owner of the non-profit company is the City of Turku which is the main financier (52%). Other municipalities in the region contribute 15%, with remaining including Turku Technology Properties Group, Åbo Akademi University, University of Turku, and Turku Chamber of Commerce. Turnover of the maritime cluster in Southwest Finland is €3.3 billion and it employs around 8,000 in 400 network companies, 20 design agencies, 15 shipping companies and 5 shipyards in Southwest Finland. This amounts to around 27% of

Finland’s maritime industry jobs. Being developed in parallel are a Maritime Accelerator, an innovation platform bringing together larger maritime corporations and nimble start-ups with momentum. Also supporting this clustering Turku Future Technologies is a research, development and innovation network that s formulates the needs arising in SMEs into research questions and finds the right experts from the network of eight universities.

### 4.3 Support Development of the Scottish Maritime Cluster

It is worthwhile asking why a Blue Growth cluster does not already exist in Scotland as it is prevalent in other parts of Europe. Part of the answer may be that there is a cultural economic assumption that competition is the best way to achieve an optimum outcome. It may also be that there is insufficient experience of the benefits of collaboration for the Cluster model to be recognised. Michael Porter’s work on competitive advantage clarified that indeed there is often fierce rivalry in clusters as companies compete for customers. However purely price-based competition often leads to less competition as “winner takes all” and a reduction in diversity of offering and capability. In effective clusters competition is based on other factors that add customer value such as design and innovation in product, press and design. As it was expressed at the Scottish Maritime Cluster joint meeting with CLIPPER on June 20th, commenting on the situation in Norway which has an active Maritime sector, “Collaborate where you can and compete if you must.” The CLIPPER Action is to influence public sector policy development in Blue Growth. However,



it was found that responsibility for activities in the overall definition of Marine and Maritime industries is split into a number of areas in the Scottish Government. There is therefore no single-entry point that can



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reconcile the different aspects of Blue Growth. It seemed that in those CLIPPER areas with recognised cluster organisations there was a more effective understanding of the range of commercial activity that comprises what is now being known as Blue Growth. DG Mare is expected to announce a strong package of support for Blue Growth. Assuming that there would be continued participation in Interreg, the Scottish Maritime Cluster (SMC) would be well placed to bid for funding related to Blue Growth with its members. This figure illustrates how separate parts government could come together with different industry sectors in Fife it could be used to support SME participation in this growth area. From the ERDF OP Scotland recognises the Commission's Blue Growth Agenda and shares the Commission's objectives of ensuring the waters around Scotland contribute to economic growth. To date this has only been applied in the Highlands and Islands region of Scotland. Blue growth encompasses many sectors which contribute to Scotland's economy including aquaculture, offshore energy related to both oil and gas and marine energies from wind, wave and tidal. It also includes shipbuilding, clean shipping logistics, and tourism for coastal leisure and cruise liners. Policy responsibility is covered by multiple agencies: Marine Scotland, Transport Scotland, Scottish Government energy policy, Scottish government Supply Chain office, Crown Estate Scotland, Scottish Enterprise and Highlands and Island Enterprise, UK Government Energy Policy, UK government Maritime affairs department and Fisheries and Food in both governments.

The action plans propose that the SMC should become a wider Blue Growth Cluster facilitating interaction and collaboration and connect across silos as part of the ERDF OP recognition of horizontal and also input to sustainable development and SME competitiveness and skills. Fife Council is partner in the Interreg RIGHT project looking at skills development of Blue Growth

#### **4.3.1 Scottish Maritime Cluster**

The Scottish Maritime Cluster was set up in 2017 and is being driven by Patrick Carnie (Strategy Director, Energy & Marine) at Babcock in Fife. Mr Carnie is now a registered Director of the newly formed company, and is actively attempting to grow membership numbers after a modest start. Given that Fife has a collection of companies involved in the Blue Economy this local community could become the focal point to develop Cluster ideas and refine its operations, en-route to expanding to include companies across the rest of Scotland. A joint CLIPPER / SMC joint work-shop was held on 20<sup>th</sup> June had over 30 attendees with many Fife companies attending. The objective is to work with SMC and help it grow by developing a broad theme of Blue growth and encouraging Scottish Government to support the cluster as piece of industrial infrastructure to support innovation, especially from SMEs in a growth sector.



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### **4.3.2 BLUE CLUSTER as part Triple Helix for Economic Development**

Whereas in most other EU Interreg countries there is strong recognition of the benefit of a “triple helix” of collaboration between Industry, academia and government, the principle has been less cohesively applied in Scotland. In addition, most other Clipper countries have long established clusters relevant to Blue Growth, Scotland has only recently started to establish such entities.

The Scottish Maritime Cluster as it develops can adopt the principle of the Triple helix. SMC has a growing corporate membership and has links with Scottish Council for Development and industry which is building a Blue Growth initiative. SMC can include public bodies such as Martine Scotland and Scottish Enterprise, which is already supportive but has fallen short of direct financial support. Conversations have also started with the Marine Alliance for Science and Technology in Scotland to link into Scotland marine Science community. Traditionally there is an economic assumption that market will sort things out. Global complexity and the climate crisis suggest that the time is now right for the more collaborative approach espoused by SMC

In policy terms although ERDF encourages Horizontal connection, government policy tends to be organised in sectoral silos. It is further complicated by powers devolved to Scotland by UK government do not include oil and gas and energy, yet are significant parts of the local economy.

SMC is developing Cross Sectoral membership to include Oil and gas; Renewables; Maritime shipping; Shipbuilding; Port services; Logistics and aquaculture. It is also seeking membership across Scotland covering the three areas covered by the 3 Scottish enterprise organisations (Scottish Enterprise, Highlands and Island enterprise, and South of Scotland Enterprise)

SMC with assistance from Clipper can also build connection with clusters in the other clipper regions Baltic to Mediterranean

### **4.3.3 Supporting SME Innovation**

Collaboration is the key to developing SME’s which tend to have limited resources and often lack ability to quickly access international markets. Larger companies also struggle to keep pace with international innovation and collaboration with academia gives them a foresight which gives them a broader perspective beyond incremental improvement and can provide insight into new ways of doing things

With support from CLIPPER the SMC Maritime research rationales in Fife can be built on to support diversification and the use of New materials through the development of advanced manufacturing in Rosyth and linking via SMC to the MaRI-UK (Strathclyde based UK Research Centre). Through MASTS participation in SMC Fife based MSEs can have a portal too.

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Themes that will be developed through support to SMC include Industry 4.0, Data Drive Innovation as Rosyth develops as Digital shipyard with a view to responding to Climate change by developing lower Carbon and Emissions solutions

Internationalisation support for SMEs via SMC will be supported by access the CLIPPER clusters, and highlighting Joint research opportunities with Transnational funding possibly available for Inter-regional business development

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#### **4.3.4 Players to be involved**

The “Triple Helix” is recognised as a model for successful economic development. The strands are industry, public sector and academia. The Scottish Maritime (Blue) Cluster should consider this model and welcome a broad range of membership to encourage cross sector interaction. Even at this early stage membership does extended from the government agencies and the Royal Navy to academia, industry associations and large and small companies. It must find formulae to add value for all its varied membership. The cluster is already supported by Scottish Enterprise and it should encourage membership from Scottish Government bodies such as, Marine Scotland and Transport Scotland (which is preparing the Scottish Maritime Strategy), and Crown Estate Scotland. Academic organisation should also be recruited to membership and in the first instance this would certainly include the Marine Alliance for Science and Technology in Scotland which will benefit from increasing its activity beyond science to supporting technology developments.

SMC Industrial membership has now reached 30 and does reflect ambitions to extend beyond its origins in shipping and show the potential to extend to cover Blue Growth.

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### 4.3.5 Activity and Performance indicators

Activity Planning	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2' 21
´SMC Event schedule and collaboration								
´CLIPPER Focal point for Blue Growth collaboration Scotland EU (until 2021)								
´Joint events e.g. Forth Tay offshore wind clusters and HIE								
´Participation CLIPPER clusters in EU								
´Other relationships e.g. Catapult, Innovation Centres								
´New initiatives								
´Norway and hydrogen shipping;								
´Decommissioning								
´Autonomous shipping Turku, Norway and France								
´France and Floating turbines								
´Collaboration through Simulation network St Andrews								
´National Manufacturing Institute for Scotland –East of Scotland								

#### Indicators and milestones

##### Input

	Sept 19 London Shipping Week	NLB Nov 5th	TBC	TBC	TBC	TBC	TBC	TBC	TBC
´Meetings									
´Business Introductions effected									
´SME engagement									
´SMC Membership numbers (2019, 18)									

##### Output

´Inputs to policy makers
´SME interaction with CLIPPER clusters
´Projects created
´Revenue attracted

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### 4.3.6 Timeframes

The Scottish Maritime Cluster has been established for two years and is building an events programme that allows it to demonstrate value to existing and potential members and increase its profile. It will shortly recruit its first permanent member of staff, and essential step for further growth.

A reasonable target would be to increase to 60 in 2020 and to reach 100 by end of June 2021, the end of CLIPPER Phase 2. This should also achieve revenue subscription levels to demonstrate sustainability. If support from public sector bodies and ERDF funds includes both membership subscriptions and revenue underwriting to bridge the “Valley of Death” of short-term cash deficit then the membership subscription target could be achieved more rapidly. This will allow the Cluster to contribute more actively to developing Blue Growth opportunities. Further policy change should encourage more collaboration which can be facilitated through the cluster.

Existing government support schemes can be adjusted to favour more collaborations orchestrated through the Blue Cluster and support the cultural change to a more joined-up approach to supporting Blue Growth in the future.

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### 4.3.7 Costs

The Scottish Maritime Cluster must achieve sustainability of its own right. State aid does not seem to be a major hurdle therefore a mix of public support to achieve economic development of Blue Growth is feasible. An estimate of £250k support package, subject to state-aid clarification would accelerate time to achieve sustainability by supporting permanent staff and a marketing budget for event to stimulate recruitment of more members.

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### 4.3.8 Funding sources

Funding will come from members who see value in both public and private sectors however short-term support from Scottish government and ERDF monies is required to support the Cluster and underpin the shortly to be announced Scottish Maritime Strategy

There is an existing membership tariff which may be reviewed to ensure it closely matches the strategic objectives of promoting the sector and its growth in Scotland. Other clusters studied start membership for microbusiness at €250 and range to over € 5,000 for larger organisations. Public sector organisations can also subscribe to support areas where the Cluster supports common objectives

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## 5. ACTION 2: Making it easier for SMEs to access funding

### 5.1 The background

As noted in the ERDF OP, Scotland has good experience with setting up and managing Financial Instruments through such examples as the Scottish Co-Investment Fund. It has been noted that there are both some underlying policy changes; and some delivery issues with existing financial instruments which should be considered in determining the approach, for example to loan funding.

The financial crisis of 2008 created a huge drop in the amount of bank sources capital available to SMEs. The dearth of capital prompted new technologies to emerge with the ability to disrupt traditional industries, including financial services. The ability to give individuals the ability to invest directly in young companies, peer to peer, became known as crowdfunding.

As an alternative to individual people's capital being aggregated by being placed into insurances, pension funds, bank savings and so on, technology created the ability to invest directly. Where institutionalised funds tend to avoid risk either due to their investment profile or in some cases due to regulation constrain the types of investment that can be made, an individual can now choose. In many cases an individual may have more specific background knowledge or the "Wisdom of Crowds" could apply as multiple perspectives tend to produce a better result than a single or committee assessment

The ERDF OP states that to develop a globally competitive sector, Scotland needs to exploit the potential for low carbon technology and energy as a significant growth and employment opportunity. The aim should be a long-term cultural change whereby investment in this area is seen as a routine investment rather than perceived as a risk. The new alternative funding platforms "democratise capital" and support cultural change as individuals can directly invest their own money in issues that matter to them. Such as addressing the climate emergency.

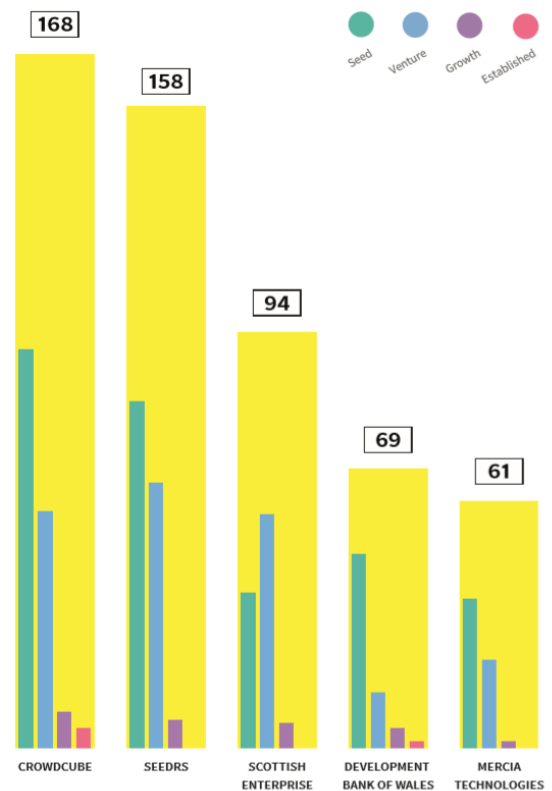
Work Group 4, which was led by Fife, studied how risk sharing can help SME's through shared facilities or infrastructure. Most of the discussion focussed on access to funding from either public funds, which are a type of aggregation, or from the private sector. New technology has given rise to more choice and if there is a wide enough investor interest then themes can reach sufficient scale to have their own following. In Italy a specific maritime related Sea Crowd" platform had been set up but it seems not to have secured sufficient scale either in projects or investors to have reached sustainability.

It is clear from the illustration that for seed and early stage companies these new platforms are now the route of choice. They provide a true market test as they are open and transparent and if there is not sufficient investor interest to meet the minimum requirement, then the money is returned to investors.

For lending platforms, the interest charged can vary according to investor appetite. The new platforms have evolved from being purely peer to peer to being pipeline for early stage Investment Funds which increase considerably the pool of capital that SMEs using this route can access.

INVESTORS IN FOCUS

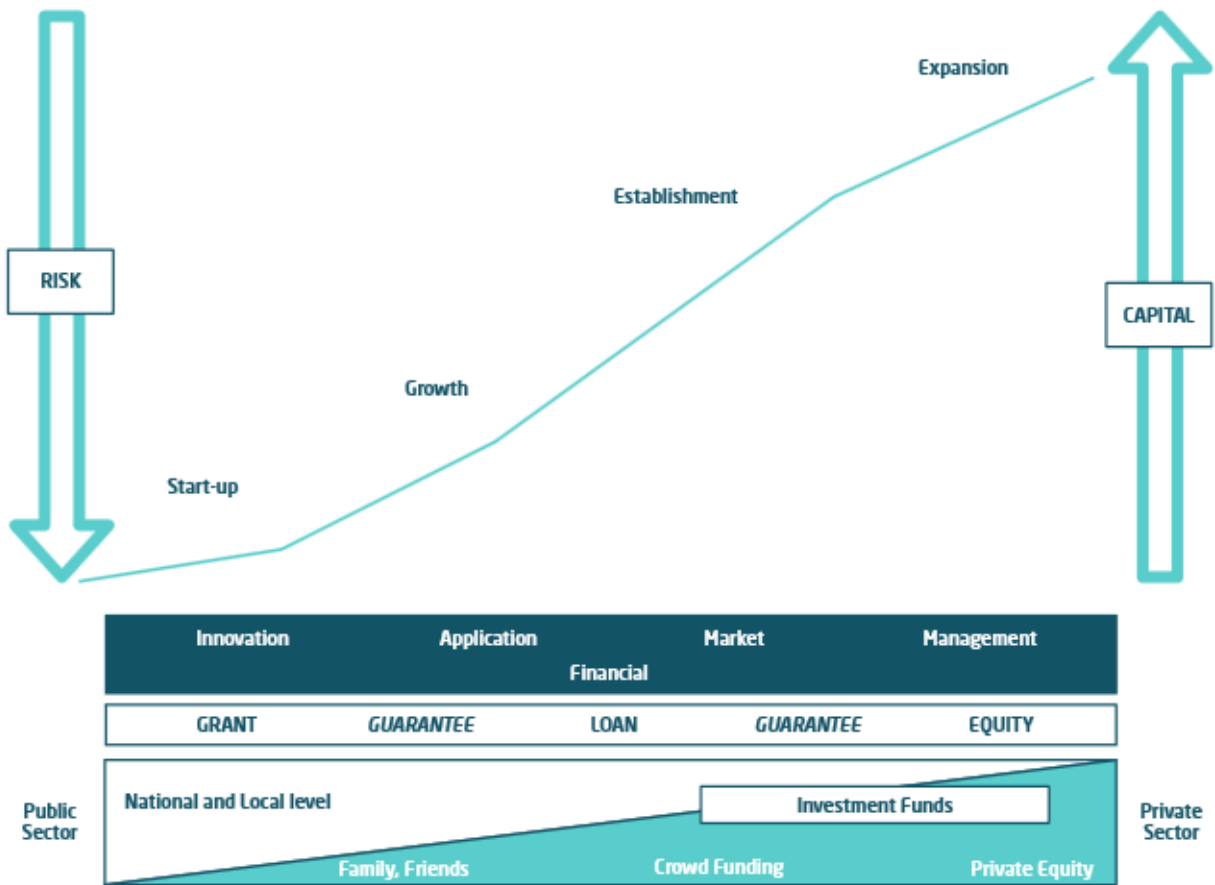
### Top investors by UK deal numbers



## 5.2 Risk sharing public and private sectors

Further investigation uncovered that these platforms can not only disburse funds much more rapidly than banks, they can use sophisticated Artificial Intelligence (AI) to actively seek and highlight additional ERDF funds that might be available to companies entering the platform. As these platforms have emerged they have become pipeline for organised funds and smaller banks to improve their deal flow by giving them a larger choice of companies to invest in. It still remains that each company being launched is open to comment from the crowd which helps in the due diligence process. Reducing early stage risk by having a large number of people investing small amounts goes a long way to readying a company for larger investment. Also illustrated below is the opportunity to public sector to bridge funding gaps and make a larger contribution at earlier stages as private sector is very wary of early stage businesses without track record

## REDUCE AND SHARE



For early stage companies the additional support need not be in financial it can be accessing services such as is available to companies in Scotland through the Business Gateway. This provide some additional investor assurance. If associated with public funds it is possible to set a trigger level so that public funds only go to companies that can demonstrate some level of support and help justify arguments of additionality and market failure. ERDF OP comments that “use of financial instruments (such as Alternative finance platforms) will align with the advice and grant support available to SMEs both in developing their approach to innovation, and in encouraging internationalisation, digital exploitation and other forms of sustainable business growth. The CLIPPER finding is that grant support can be made accessible through an Intelligent platform as is already done in CrowdFund Angus



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### 5.3 International dimension

In discussion with CLIPPER partners there are cultural differences and ways in which financial support can be made available. In any event technology creates platforms which can be customised meet local requirements. For example, in Germany loans are often seen as preferable to giving up ownership and equity. For some, such as in Pays de la Loire, giving guarantees are a more effective use of capital as not all guarantees are called on.

**Pays de la Loire Garantie (PdIG)** can benefit SMEs by creating access to bank credits through a guarantee of up to 70% of the value of a loan. It provides a risk-share with the banks and limits the personal liability of the project holders and SME owners. This has been done through its established partnership with Nantes Atlantique Place Financière (NAPF). The Region has endowed the Pays de la Loire Garantie Fund with more than 40M €, with payment is made as and when needed in 2M€ instalments. BPI has set up a “Regional Funds Insurance Fund” which insures the risk of insolvency of the Pays de la Loire Garantie Fund. (With each endowment of the fund by the Region, a 5% commission is paid to the Regional Funds Insurance Fund) The BPI (Banque Publique d’Investissements) is responsible for the Garantie Fund

Data from the five years to 2017 reveals that Finland, a similar size to Scotland, was the number one country in European venture capital (VC) investments when the end investments are compared to GDP. This highlights the importance to attract capital from outside the country to invest in its innovative SMEs. Recent figures show UK has now become the most attractive, partly due to new platforms to making it easier for external investors to access new companies in emerging technology hotspots. In debt provision, Funding Circle, quoted on LSE and valued at £800m, has helped SMEs in UK Germany and Netherlands raise debt capital, Lending Crowd in Scotland has taken on board a Netherlands Bank as co-investor.

In equity funding the leading UK platform, Crowdcube, includes amongst its investors residents of Spain, Ireland, Italy, Australia and Germany. In 2017, Crowdcube successfully funded 148 companies, 23 of which were based outside the UK; Seedrs have introduce investors from over 80 different countries to businesses from 19 different countries using the platform.

With increasing choice of investors, and fewer geographical constraints the issue is not if there is capital but how to find and access it.

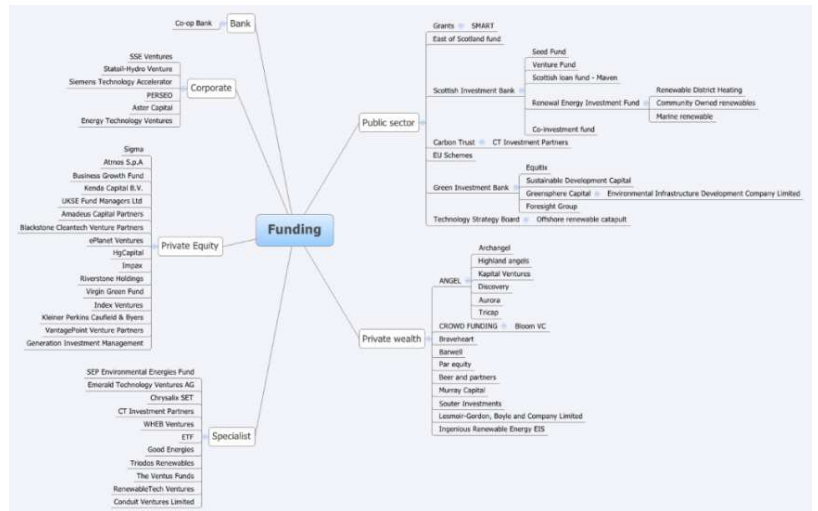
The ERDF OP mentions that “whilst the evidence is not conclusive on the need to develop a specifically new public sector debt product for SMEs at this stage, adaption, and increase in the scale, would be the preferred option. “

There are several alternative platforms such as Abundance which appeal to people who want to support sustainability and make a reasonable return on their investment. It has supported wave and tidal devices and other sustainable low carbon projects.

The Mission of Abundance investments is to “provide opportunities for people to make direct investments that build a better future” £98m has been invested in 40 projects in Green Energy, Sustainability and affordable housing. Without the greatly increased geographic accessibility offered by technology it would have been very difficult in conventional aggregating finance to have secure enough numbers of “niche” investors to support such projects.

### 5.4 Accessing funds

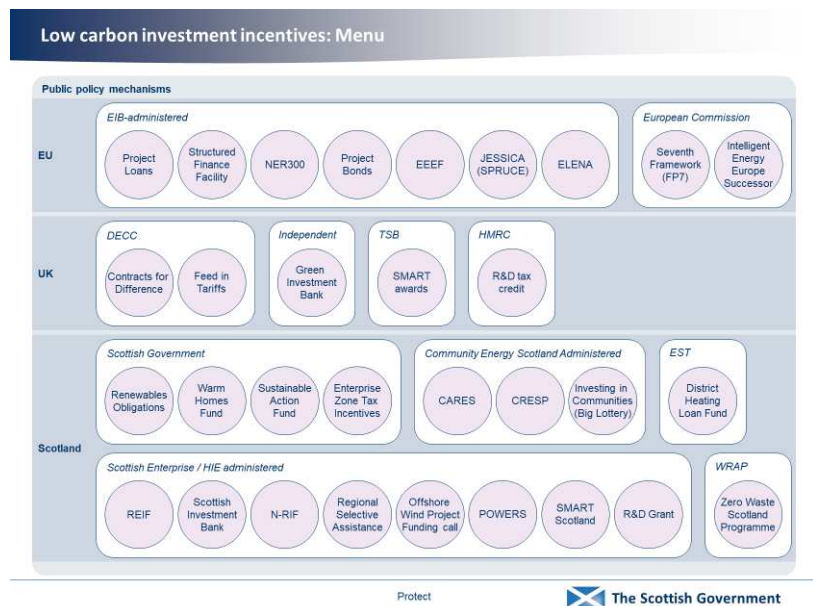
As discussed in the Tool Box paper “Mapping the Local Financing Place” there are many financial support schemes but they are not easy to find and processes are often bureaucratic and time consuming. As stated by Chris Stark, now Chief Executive to the Committee on Climate in 2012, in relation to the number of supports available to SMEs, it would be better to



“Rationalise the set of funds – or employ a visible skilled interlocutor service”

Although there are web sites that help signpost lists of possible funds, such as mentioned in the illustration above below, they do not yet go as far as creating a match-making service which uses AI to narrow down to a “most-likely” outcome. Just as companies have different requirements according to their stage of growth, so investors have their sweet spots for technology, stage of growth, quantum of capital required; and for VC funds it is also critical to talk to them when they have free funds to invest as many allocate funds for follow though rounds which limits the time period during which they are likely to take on new investments.

To add to this, other CLIPPER partners have a range of SME supports that are not used in Scotland that could be



made accessible through a single platform. One example would be the guarantee scheme in Pays de la

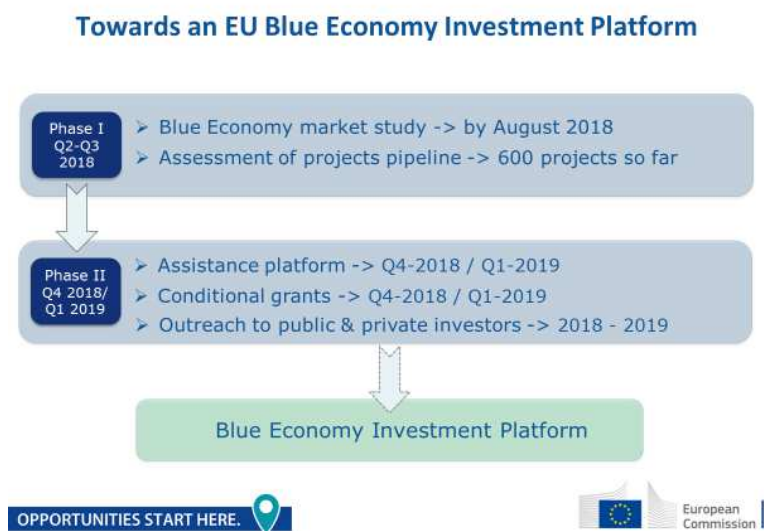
Loire that allow a bank to seek partial underwriting from the regional government to cover a portion of the personal guarantee being sought from an entrepreneur. Associated with this is the provision of business advisory services provide through the regional authority. To some degree public funds have special activities targeted, such as low carbon, or to meet other strategic aims. These can range from EU level through national and regional to local funds. It is perhaps not surprising that navigating this maze, which can be so bureaucratic and time consuming that it puts off the SMEs that policy measures are designed to support.

As regulation has developed to find the right balance of consumer protection, the new technology platforms have been set up to deal with issues like security, identity check, compliance with regulation, and so on. At the same time many of these go a long way to providing the transparency and due diligence required ERDF schemes, much more efficiently and faster.

Through CLIPPER and the presence of DG Mare Director Bernhard Friess at the Fife Plenary in July 2018, there is awareness of the priority that is going to be given to Blue Growth in the next parliament and one of the measures is to launch a support platform intend to help connect SMEs in this are with European and international investors. The investors may prefer to invest after start-up phase to use their capital and time more efficiently.

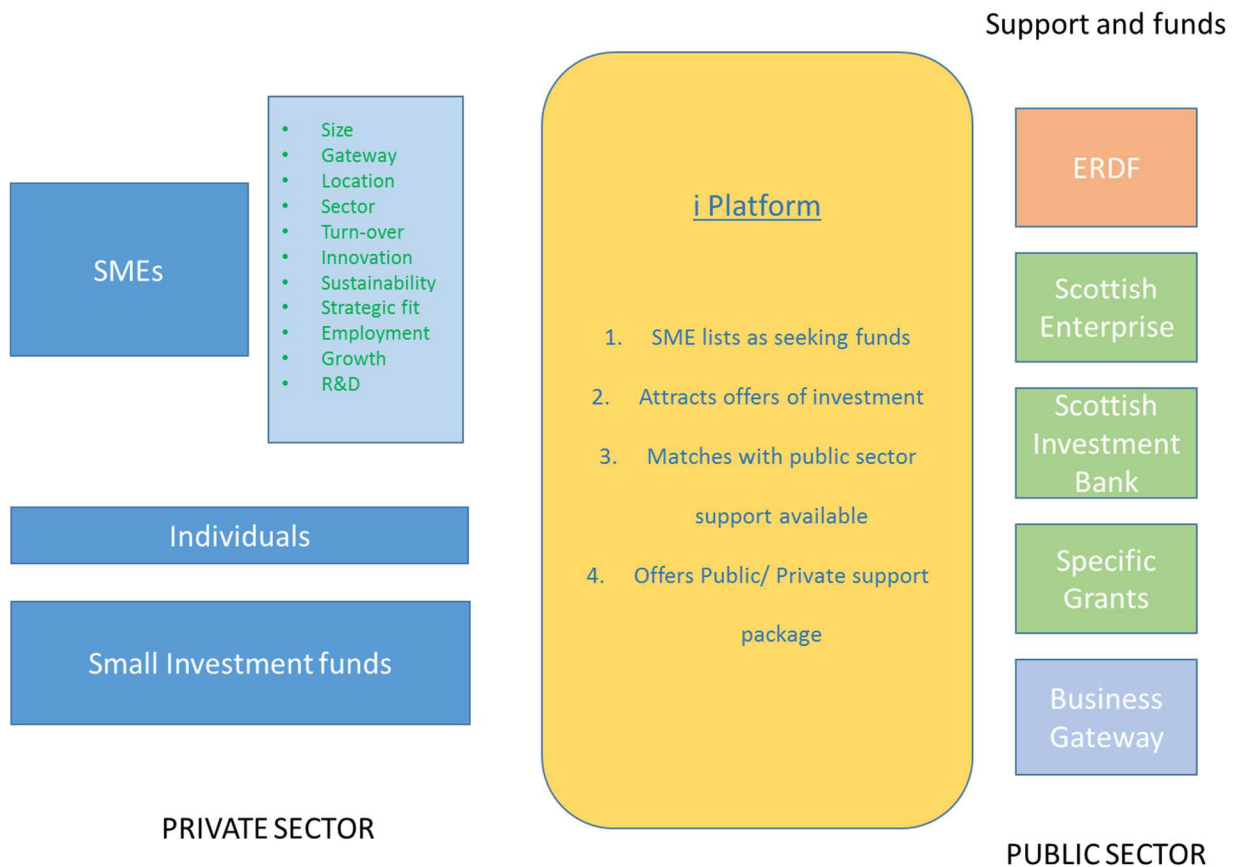
Although this is being led by DG Mare the platform will no doubt be closely observed for efficiency gains by other directorates and could be a precursor to future funds also be made available through a technology platform.

An effective local portal in each CLIPPER region will help connect Blue Growth investors and SMEs across Europe. An additional opportunity to connect with institutional investors for larger project which meet the requirement for Impact investor is the development in Scotland of Project Heather. The operates on the Euronext Stock Exchange platform and within its network lists projects which can demonstrate positive social impact such as renewable energies, Life Sciences and social and environmental projects.



## 5.5 Action Develop SME Finance Public/ Private Hybrid Platform

Fife Council has subscribed to CrowdFund Scotland which is being supported by EU LEADER project to deal with Community projects. The policy recommendation will be to investigate further and support delivery of ERDF funds through an Alternative Finance Platform.



To extend the capability further involvement with Scottish Enterprise and Scottish government will be required. By improving both efficiency and access, ERDF funds could become much more effective in providing support for SME Growth.

If DG Mare plans develop as envisaged and offer access to Blue Growth investors across Europe, then these funds might be accessed by Fife companies through a local portal. Given uncertainties over Brexit this could be a useful way to retain connection with commercial funds from Europe.

### 5.5.1 Players involved

The platform for CrowdFund Scotland, and coaching in creating a campaign, is provided by Crowdfunder UK. The major investor in Crowdfunder UK is CrowdCube, the leading crowd equity provider for SMEs in the UK, as shown in previous graph. As most ERDF scheme funds are managed through Scottish Enterprise

on behalf of Scottish Government their participation will be required. Other platforms and offerings will have to be evaluated such as Lending Crowd which has been a stakeholder for the Fife CLIPPER project. Discussions are underway through Business Gateway to introduce Fife SMEs to this new source of project funding. Linkage with other sources such as Business Loan Scotland will be investigated as it is a co-investment vehicle between local councils and Banks and is reviewing its operational model

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### 5.5.2 Timeframe

The launch of Crowd Fund Fife has not officially taken place yet. A period of evaluation will be undertaken while other options are considered. Fife intends to follow the part lead by Crowdfund Angus and gradually move from community projects to SME funding starting with micro SMEs. As this experience of the new platform grows additional grant offerings will be automatically signalled to SMEs seeking funds. Other efforts being taken by Scottish Government to streamline access to financial support mechanisms can be incorporated into this model

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### 5.5.3 Costs

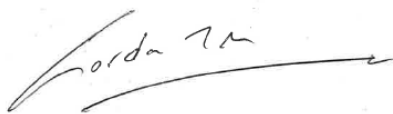
Cost will not be known until further evaluation has been undertaken. It has yet to be established how the contract and license for CrowdFund Fife is sufficient to extend to SME Blue Growth Support, or whether another platform should be investigated

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### 5.5.4 Funding

If the platform can offer a lower cost than the current funding and grant administration costs, then it should be funded by Scottish government

**Date:** 21<sup>st</sup> November 2019



**Signature:**

Gordon Mole, Interim Chief Officer, Business & Employability

**Stamp of the organisation (if available):** \_\_\_\_\_