Private financing for clusters and projects: Options to access new funding sources

Summary

EU Clusters Talks
19 April 2023, 8:30 – 9:45 CET

An initiative of the European Union
Private financing for clusters and projects: Options to access new funding sources

The European Cluster Collaboration Platform organised this EU Clusters Talk on 19 April 2023, 8:30 – 9:45 CET, to raise awareness about other funding sources than public funding programmes, discuss how to search for new funding sources and how to access private financing for clusters, SMEs and projects.

Agenda of the meeting

Moderation: Zivile Kropaite

1. News from the European Cluster Collaboration Platform
   *Nina Hoppmann, team member, European Cluster Collaboration Platform*

2. Introduction from the European Commission
   *Marek Przeor, Team Leader – Cluster Policy, DG GROW, European Commission*

3. Panel debate
   - Bianca Dragomir, Director, AVAESEN
   - Catriona Murphy, Cluster Manager, Ireland South East Financial Services Cluster
   - Gisela Sanchez, European Project Manager, Finance Innovation
   - Kai Dombrowski, Senior Expert, Climate&Company

4. Funding opportunities
   *Nina Hoppmann, team member of the European Cluster Collaboration Platform*

Key messages

Clusters should diversify their business models, e.g. by mixing public and private funding. While clusters are traditionally not connected with investors, there are examples of clusters expanding their networks and incorporating start-ups, venture capitalists and corporate venture capitalists.

Businesses should develop a mid- and long-term sustainability strategy in light of the taxonomy regulation to be attractive for financial institutions and investors.

To find the right investors, clusters can help with the in-depth analysis, making the contact, and explaining the business opportunities.

Networking and matchmaking events organised by clusters can connect start-ups with investors, venture capitalists, and business angels.
1. News from the European Cluster Collaboration Platform

Nina Hoppmann, team member, European Cluster Collaboration Platform

After the introduction by moderator Zivile Kropaite, the following news item were presented:

1. The ECCP published a new Strategic Foresight Instrument for EU Cluster Organisations: the Trend Universe
2. Deadline extended to 24 April for international matchmaking in Taiwan
3. Deadline extended to 24 April for international matchmaking in Morocco
4. Last chance to register: Clusters meet Regions & Matchmaking in Finland
5. Free tickets for visitors to the EC stand at Hannover Messe on 17-21 April

2. Introduction from the European Commission

Marek Przeor, Team Leader – Cluster Policy, DG GROW, European Commission

Marek Przeor emphasised that clusters should **widen their horizons** outside of the classical public funding programmes. All information on public funding is online on the Funding and Tenders Portal, where calls are regularly published, and the Cohesion Open Data Platform. All programmes are adopted and now calls are being launched. Another interesting instrument is InvestEU, which includes financing of loans, guarantees and equity investments. In addition, the page access2finance.eu allows to search for financial institution that provide EU finance in the different countries.

He presented the results of a recent survey on access to finance, which reports that there are **tighter financing conditions** due to general economic downturn. 66% of the answers reflect increased interest rates and 20% indicate tighter collateral requirements from banks, which is why the topic is increasingly relevant for SMEs. He stressed that clusters can be **knowledge and service providers** on how to access finance. Clusters can also **mix public and private funding** to enable financing, and they can reach out to financial providers across the EU territory.

3. Panel debate

The discussion among the panellists focused on cluster business models, engagement and matchmaking with financial institutions, venture capitalists, and investors, as well as the importance of the sustainability transformation.

Bianca Dragomir confirmed that we need to deep-dive into new funding sources. From a cluster perspective, there a several ways to **diversify its business model**. Their cluster AVAESEN is a mix of public and private funding. They developed need-driven services that members pay for on top of their membership fees, e.g., market intelligence studies or a working group on photovoltaics. To increase the revenue stream, the cluster also offers **services to third parties**. They worked with banks, which they reached by explaining the business opportunities, to co-design financial schemes for their members and to build a local energy community. As one of the biggest bottlenecks in the energy sector is getting funding, the cluster reached **agreements with different banks** in the region to create a direct access for the SMEs to speed up the funding.
She said that, traditionally, clusters are not connected to these entities. However, they are lately expanding their networks and incorporating start-ups, venture capitalists, and corporate venture capitalists. To attract them, you need to have valuable start-ups in your network. Gisela Sanchez shared that they organise tailor-made events to bring together the community, which includes businesses and networks, e.g., “speed dating” and matchmaking events. They prepare the start-ups for the meetings with corporate venture capitalists, investors, and business angels. In addition, the cluster learned that the financial providers like to have the opportunity to get together and discuss opportunities among themselves.

Catriona Murphy explained that their cluster brings together the financial service sector, which has changed greatly in the past years. They are creating a sandbox, a fintech centre of excellence, outside of the structure of the cluster to raise more seed funds for the companies to develop their ideas. The cluster is looking closely at monetising the cluster members services. For example, they promote an accelerated payment system from which SMEs that struggle with cash flows can benefit. The cluster is also working with universities to know the latest trends on sustainability in order to connect them with the financial services.

Kai Dombrowski highlighted that more and more businesses and financial institutions see the need for sustainable finance, which is partly driven by regulation. Companies and clusters can present their own sustainability strategies to investors to access finance. While there are short-term challenges, e.g., related to the increased energy costs, businesses should develop a mid- and long-term sustainability strategy to be able to move forward and achieve the transition. However, the expertise is not growing quickly enough. Clusters could support businesses in getting started and showcase best practices, as finance institutions and investors are looking for businesses that can demonstrate their knowledge of how to navigate the sustainable transformation.

In addition, we need to look at the taxonomy regulation that finance institutions and investors must consider and integrate into their processes and profiles, as they must report on their green asset ratio. He recommended to get acquainted with the rules and for clusters to talk with the finance institutions on how they are integrating the regulation in their funding strategies. Catriona Murphy added that carbon credit exchanges are coming more important, and clusters are best placed for the assertion of carbon credit activity, e.g., by educating about the topic and building a centralized certification system.

Regarding the question on how to identify the right investors, Gisela Sanchez recommended doing a thorough analysis about the targets and their role in the ecosystem. Bianca Dragomir agreed that it could be the role of the cluster manager to conduct a market study, contact the investors, explain business opportunities, and speak with them personally. Catriona Murphy added that coffee breaks at events could provide valuable opportunities that allow for private conversations. She emphasised the importance of taking the time to invest in the network and go to events.

Closing the session, Bianca Dragomir highlighted that the clusters’ the way forward is to move away from subsidy-reliant approach and develop a robust cluster model. The new programmes require to have a funding mix. Private funding is the new low-hanging fruit.
4. Funding opportunities

Nina Hoppmann, team member of the European Cluster Collaboration Platform

Closing the EU Clusters Talk, Nina Hoppmann shared the following examples of funding opportunities:

1. The European Commission supports small businesses' access to various sources of finance by regulatory initiatives, raising awareness and exchanging good practices. More information on access to finance
2. Opportunities for SMEs: Calls from Euroclusters; published on European Cluster Collaboration Platform