

"GO NETWORK" PROJECT

WORK PACKAGE 3 – 4TH TECHNICAL MEETING

March 31st, 2006
Vienna

Meeting Room- 5th Floor
Austria Wirtschaftsservice GmbH
Ungargasse 37 – 1030 Vienna

MINUTES

LIST OF PARTICIPANTS

PROJECT PARTNERS	
Austria Wirtschaftsservice - AWS (A, PP8)	Roswitha Mosburger
	Doris Benedicter
Interconfidi Nord Est (IT, PP2)	Nicola Trevisan
	Paola Maritan
Veneto Region (IT, PP1)	Cleofe Di Maggio
Finest (IT, PP3)	Alessandro Morelli
Umbria Region (IT, PP4)	Daniela Rosati
	Cristiano Gregori
Istrian Development Agency (HR, PP10)	Darko Lorencin
	Boris Miletic
Marshal's office of the Podlaskie Voivodship (PL, PP11)	Michal Szczepura
	Borys Dabrowski
National Association of Small and Medium-sized Business (BG, PP12)	Eleonora Negulova
EXCUSED PARTNERS (WP)	
Abruzzo Region (IT, PP6)	

MEETING'S OBJECTIVES

The aim of the meeting was the presentation of the work progress in WP3, especially with a view to the business plan and the training activities as well as the discussion and preparation of the next steps to be taken.

MEETING'S RESULTS

In accordance with the items on the agenda (see ANNEX 1) the following issues were discussed:

1. Welcoming address to the participants and definition of the meeting's objectives and presentation of the meeting's agenda.

Mrs. Mosburger welcomes the participants to the meeting and gives an overview of the planned agenda of the meeting. **Summary of the work package activities since last meeting:** A workshop in Pula attended by Mrs. Mosburger, Mrs. Benedicter, Mr. Morelli, Mr. Lorencin and Mr. Miletic was held in January 16th – 17th to define the assumptions and parameters for the financial projections for the business plan and to agree on a timeframe for the next tasks. Representatives of the Umbria Region joined the workshop on the second day to define the next steps for the training activities.

The tasks agreed in the workshop meeting (see enclosed attachment) that still have to be completed are

1. Description of the legal background of the CGO (IDA)
2. Description of contents of training activities and final training plan (Umbria Region)
3. Preparation of power point presentation for road shows (aws, IDA)

2. Overview of the recent developments in Istria and fund raising activities

Mr. Lorencin reports that he has had talks with representatives of EBRD, the Worldbank and the Italian Union (Organisation for the support of the Italian minority in Istrian Region).

EBRD showed great interest in the planned guarantee programme but has shown some concern with a view to the legal background. EBRD normally only provides financing to financial institutions, which makes it impossible for the consortium Istria 21 to directly receive money from EBRD. A solution may be that EBRD gives the money to a commercial bank (e.g. OTB bank), which becomes member of the consortium and adds the money to the consortium's funds.

Mrs. Mosburger states that the problem of the difficult legal situation of the guarantee operations might be also an obstacle for other potential donors to invest in the CGO and that therefore the legal framework should be discussed once more.

Mr. Lorencin continues that the talks with Worldbank have not been promising, as Istria is the most developed region in Croatia and the Worldbank therefore concentrates on other, less developed regions.

Mrs. Mosburger says that the Worldbank concentrates on development projects, whereas IFC supports viable investment projects and therefore IFC should also be contacted.

Mr. Lorencin also informs the other partners about talks with the Italian Union, according to which the support of the guarantee programme should be definitely on the agenda for 2006, but no concrete information as to the type of support is available so far.

Mr. Morelli states that the Italian North-Eastern-Region (Friuli-Guilia-Veneto) has also shown some interest in the CGO-project, but due to a health problem of the director talks had to be postponed. Mr. Morelli also agrees to support the CGO/IDA in arranging meetings with representatives of the two largest operating banks in Istria, which are owned by Italian banks (Zagrebacka Banka = Unicredit, Privredna Banka = Banka Intesa).

Mr. Lorencin further reports that the national initiative in Croatia for the foundation of 4 to 6 regional loan guarantee funds did not progress over the last two months. The Croatian Ministry of Economy intends to give some money to the regional initiatives but no particulars have been announced yet. Also it is not sure if and when the envisaged changes of the legal framework (passing of a new law for regional guarantee funds or amendment of the law regulation the national guarantee institution HAMAG) may take place.

The talks with HAMAG have continued. The most likely way of co-operation between the consortium and HAMAG in the future is that HAMAG will offer a counter-guarantee for the guarantees issued by the consortium. The counter-guarantee will be offered on a contractual basis, at least in the beginning.

The most important task of the consortium Istria 21 for the last two months has been the conclusion of the first guarantee contracts with OTB bank. For the first guarantee line 27 investment projects with investment volumes of EUR 10.000 to EUR 200.000 have been approved. Individual guarantee contracts for every project had to be agreed between OTB bank and IDA. The total guaranteed volume is around EUR 0.5 million, the total loan volume granted to the companies is about 10 times the guaranteed amount (due to additional collateral offered by the SMEs). IDA had to deposit the guarantee funds at OTB bank and due to the lack of guarantee experience of the consortium the bank did not accept any multiplier on the guaranteed volume. The guaranteed loans were offered at very favourite interest rates to the SMEs, which made it very attractive for the companies to apply for the guarantee.

After a lively discussion the partners agree that

- the future CGO should be aimed to reach a leverage of 3 to 4,
- a guarantee fee should be charged to finance at least partly the expenses of the guarantee programme and
- suggestions for amending the current legal situation of the consortium have to be made.

3. Presentation of the draft business plan

Mrs. Benedicter gives a short presentation (see attachment) on the current draft of the business plan. A print-out of the newly completed chapters 5 + 6 is distributed to the partners at the meeting. The chapters 1-3 have already been distributed at the last technical meeting in December. Chapter 4 still has to be completed, especially chapter 4.3. Parties and Stakeholders involved (aws) and chapter 4.4.

Legal Framework (IDA) have not been concluded yet. Chapter 7, Training Needs and Activities, will have to be concluded by the project partner in charge of the training activities Umbria Region. The chapters 8 and 9 will be prepared by aws, IDA and Alessandro Morelli.

All partners of the work package are invited to give their input to the current draft of the business plan, especially the financial projections and sensitivity analysis, after having studied the current version of the draft. The input should be given via e-mail to Mrs. Benedicter or Mrs. Mosburger.

4. Presentation of the planned training activities

Mrs. Rosati, who represents Umbria Region at the meeting as neither Mrs. Collesi nor any of the consultants of Umbria Region were able to attend, gives a short overview of the planned training activities in Istria: Two training sessions of a week each are planned for 5th to 9th of June and for 26th to 30th of June. The trainings will be performed by Prof. Nadotti from the University of Perugia, Mr. Gaudino, Mr. Tili and Mr. Badiali from Gepafin, Mr. Nafissi from CO.FI.Re and Mrs. Fabri from Fidimpresa. CVs of the trainers have already been sent to the WP leader aws. Topics of the training will be: Principles of corporate finance, analysis of SME financial requirements, instruments of debt financing and risk financing, credit risk assessment, credit risk and Basel II, structure and planning of a guarantee organisation, relationship between guarantee fund and commercial bank including technical assistance on connecting with bank, risk monitoring, quality procedures and information system, handling of enterprise crisis and defaults.

Mr. Miletic states that it might be better to postpone the second training session to the first week of September for two reasons: Firstly, if the second week is planned as an update for the first week it would be better to have some time in between the training sessions. Secondly, for practical reasons it might not be possible for the attendants to take part in a training two consecutive weeks. Also it will be necessary to get a more detailed description of each of the planned training activities, in order to match the people to be trained with the planned programme.

Mrs. Benedicter adds that a request for a more detailed description of the topics of the training has been sent about three weeks ago to Umbria Region, but according to the last email correspondence still needs to be finished.

5. Overview of the next steps

Mrs. Mosburger gives an overview of the next steps (see slides distributed at the meeting) of the work package, including finalisation of the business plan, road shows, manual for know-how transfer, monitoring and milestones. A timeframe for each task is developed.

According to **Mr. Trevisan** the final meeting for the Go Network project was scheduled for the 22nd and 23rd of September. The draft for the Manual should therefore be finished by end of July. The final version has to be prepared by end of August, to allow for the lead partner to include some input in the final report.

Mrs. Negulova gives a summary of the recent development in Bulgaria: A training session has just been conducted by Abruzzo Region in Sofia. The first of the three-day training was used to inform interested parties and stakeholders about the guarantee mechanism. It is planned now that an SME guarantee institution will be installed at the National Encouragement Bank. Also local or municipal guarantee funds shall be developed in the future. Mrs. Negulova states that the input of the Go Network project has had very positive effects on these developments in Bulgaria.

Mrs. Benedicter summarises the task to be fulfilled by the different partners at the end of the meeting (**see table below**) and closes the meeting.

Timeframe Next Steps

Responsible	Task	Deadline
PP4 (Umbria)	Description of training activities (for preparation of training and to be included in BP). Details see below	28.04.2006
PP4 (Umbria), PP10 (IDA)	Decision on timing of training	28.04.2006
PP10 (IDA)	Draft of Chapter 4.4. of BP "Legal Framework"	24.04.2006
PP8 (aws)	Finalisation of Chapter 4.3. of BP "Parties and Stakeholders involved"	24.04.2006
PP10 (IDA)	Organisation of programme/meetings for road shows	24.04.2006
PP8 (aws), PP10 (IDA), PP3 (Finest)	Preparation of presentation for road shows	27.04.2006
PP3 (Finest), PP8 (aws), PP10(IDA)	Road shows for potential donors and other stakeholders (EBRD, HAMAG, HBOR, HNB, Ministry of Economy, commercial banks)	1 st or 2 nd week of May
PP10 (IDA)	Draft of Chapter 8.1. of BP "Marketing activities"	End of May 06
PP8 (aws), PP10 (IDA), PP4 (Umbria)	Monitoring: Definition of procedures and contents	End of May 06
PP8 (aws)	Draft of Chapter 8.2. of BP "Road shows"	End of May 06
PP4 (Umbria), PP10 (IDA)	First week of training at Pula	June 5 th to June 9 th 2006
PP8 (aws), PP10 (IDA)	Manual: Definition of table of contents	Mid June 06
PP3 (Finest), PP8 (aws), PP10(IDA)	Preparation of Chapter 9 of BP "Critical Issues, Recommendations,..."	End of June 06
PP8 (aws)	Manual: Guarantee scheme, general description	Mid July 06
PP 4 (Umbria)	Manual: Training material incl. risk assessment standards	Mid July 06
PP10 (IDA)	Manual: Description of IDAs guarantee procedures, partners & stakeholders, application forms and documents	Mid July 06
All WP3 partners	Input on draft versions of BP	End of July 06
PP8 (aws)	Finalisation of BP	End of Aug 06
PP8 (aws), PP10 (IDA), PP4 (Umbria)	Monitoring	Mid June till end of Sept 06
PP4 (Umbria), PP10 (IDA)	Second week of training in Pula (to be confirmed by Umbria Region)	4 th Sept to 8 th Sept 2006
PP8 (aws)	Finalisation Manual	Mid Sept 06

Description of training needs and activities – content:

1. Training needs and activities (Chapter 7 of the BP)
 - a. Definition of the aims of the training (description of the desired learning targets of the training)
 - b. preparation of a time-table for the training programme (which topics will be dealt with in the first, which in the second training session; how much time will be dedicated to the different topics)
 - c. Training programme: short description of each of the topics of the training programme, about 1-2 paragraphs for each topic;
 - d. Presentation of the trainers: short description of the background of the trainers (Gepafin, CO.FI.RE, Fidimpresa, Course on Economy and Administration of Enterprises, University of Perugia); CVs have already been provided

In total about 5-6 pages.