

PROGRAMME: LOCAL DEVELOPMENT FUND

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1. SUMMARY OF GOOD PRACTICE

▪ **Overview & Aims**

The **Local Development Fund** was set up in 2000 by local authorities in the Kozani district of West Macedonia who were looking at ways **to encourage entrepreneurship to boost economic activity**.

Financial support for the programme was gained by accessing funds paid by the Public Power Corporation (PPC) to offset the environmental impact arising from mining the region's underground energy resources. Paid from its financial gains, the Public Power Corporation contributed funds to the local community that were used to support a variety of social and economic projects. (The project is unlikely to have started without this funding).

Located in the north west of Greece, Western Macedonia is the only region not bordered by the sea so unable to benefit from tourism but is very rich in fossil fuels. With the highest rate of unemployment in Greece, a lower than EU average GDP and over dependency on the strategic activity of PPC, project funds were directed at encouraging entrepreneurship.

▪ **Key Resources**

– **Programme Partners**

Led by local authorities from the Kozani district of West Macedonia and the **RDA (ANKO)**, who also acted as the intermediary/implementation contractor.

– **Funding: Funding Body & SME Contribution**

The total programme budget was €13.6M; €7.1M from the LDF via the PPC and €6.5M from respective SMEs i.e. their own sources and loans.

The programme funded 50% of the total investment with SMEs/entrepreneurs required to raise 50% from their own resources and/or bank loans. Application costs, (paid for consultancy support), ranged from €1-€2.5K

LDF Investments ranged from a minimum of €50K to a maximum of €300K

▪ **Eligibility Criteria**

Funds were aimed at local SMEs and entrepreneurs setting up new enterprises or modernising/automating existing enterprises in the retail commerce, manufacturing, tourism, agricultural and services sectors.

▪ **Terms Conditions**

LDF investment were awarded as grants, there were no repayment terms. There were some specific criteria regarding the type of investments that could be made e.g. successful applicants could not invest < 50% in buildings and capital equipment had to be new, not used.

2. IMPLEMENTATION

Implementation i.e. management and operational activities associated with the scheme were outsourced to ANKO an established local development company with the specialist scientific and technical expertise required. Employing 5-6 people from its staff, total administrative costs were €600K.

Key steps included a call for tenders, proposal submissions from eligible SMEs/entrepreneurs, evaluation of proposals and selection of beneficiaries' against a set of specific criteria.

- Funding 50% of the total investment costs in the form of Grant, the other 50% was financed from the beneficiaries own sources and/or a bank loan.
 - Funds could be invested in tangible and intangible assets, minor marketing expenses and set up costs.
 - Projects were subject to stage payments agreed at the outset and ongoing monitoring throughout the implementation phase. Most projects were completed in 1-2 years with grants paid in 3-4 instalments subject to the complexity and timescales involved.
- **Key Stats** - running from 2000-2007 results were as follows:

KEY MEASURE	TOTAL
Applications Submitted	171
Applications Accepted	121
Total LDF Invested	€7.1M
SME Contribution (own sources and/or loans)	€6.5M
Number of New Enterprises Started	17
New Jobs Created	122

The application process was considered easy with investment decisions taking approximately one month.

3. KEY LEARNING POINTS & OPPORTUNITIES

The added value caused by the increase in entrepreneurship was, at the time, estimated to have a remarkable impact in the local economy compared to other low-yielding types of cash infusion in the market. The instrument had a positive impact on the regional business environment, in particular set-up of new businesses, modernisation of existing businesses, the promotion of local products and increase in employment with 122 jobs created as a result.

The results, particularly the **added value** of the funds invested and whether this exceeded the forecasts, are now arguable. Opinions between stakeholders are controversial regarding the overall effectiveness of the scheme:

- Supporters claim that the **added value** i.e. the ROI from capital assets financed by the LDF, particularly those in the manufacturing sector, exceeded the initial investment.
- Opponents on the other hand suggest that the opportunity costs exceeded the results, which either way were expected at the start, to be difficult to attribute.

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- Although there was not a financial boom in the area, the LDF did create a legacy of new enterprises and new jobs.
- **What worked well/strengths**
A simple administrative system and short decision making period for SMEs
- **Challenges/Weaknesses**
Investments were not monitored after their implementation.
- **Transferability**
The programme is considered easily transferable to other regions in similar situations e.g. commercial large scale fuel/ mining extraction activity.
Opportunities: The sourcing and management of similar funding instruments at local level could be of interest to other regions
Threats: The lack of future financing by the Public Power Corporation could be a threat to the continuity of the programme.

FURTHER INFORMATION:

You Tube: <http://www.youtube.com/watch?v=n3rB2LJOd7w>

Regional Development Agency of West Macedonia (ANKO): <http://www.anko.gr/>