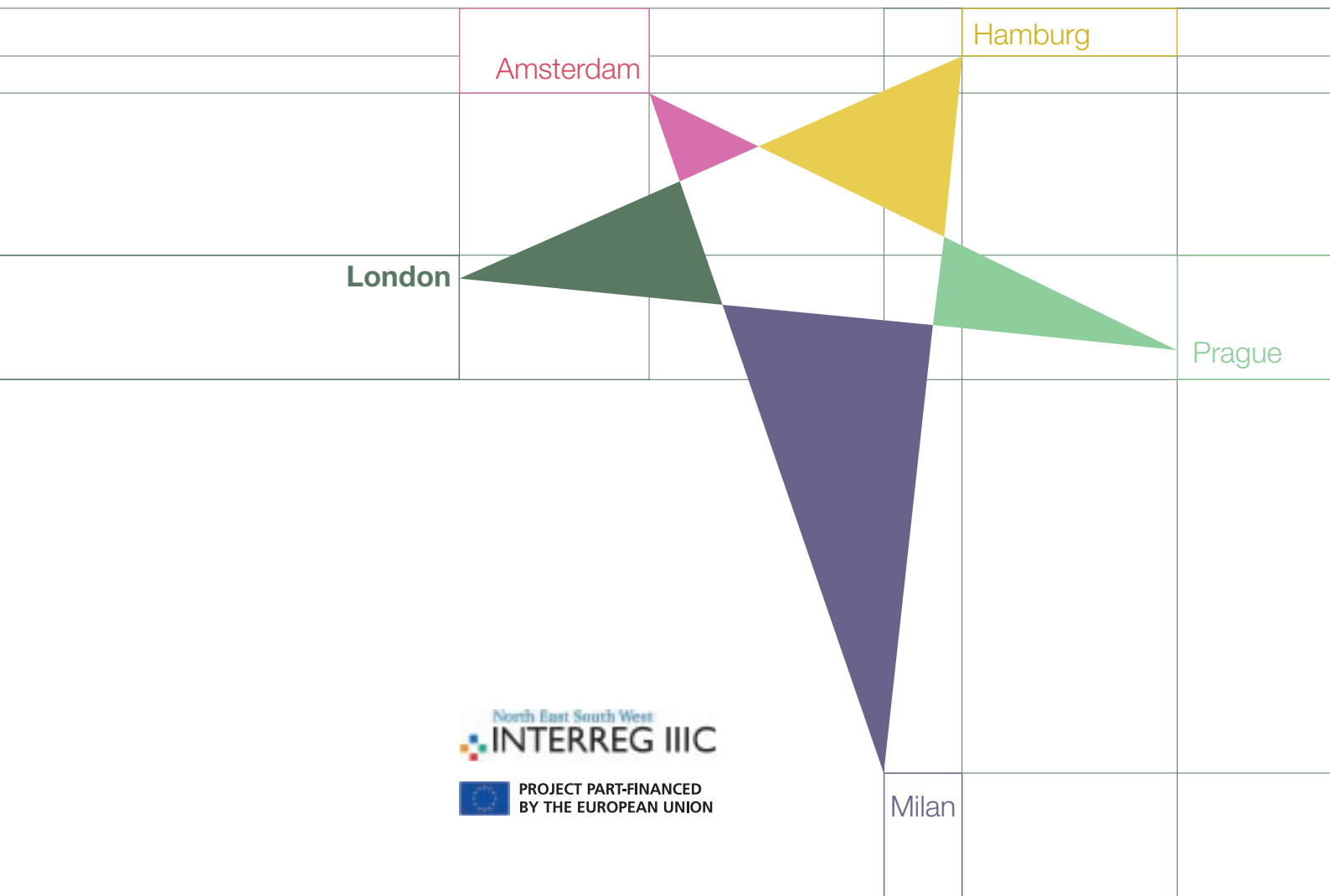


The European Learning Network



Final report of the Network

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North East South West
INTERREG IIIC



PROJECT PART-FINANCED
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1. Summary

The duality of our cities

Cities are often portrayed as the engines of our national economies and of the EU as a whole, as well as key centres of social and cultural growth. However, over the past few decades, interest in the future of our deprived city neighbourhoods has grown as conditions in these areas have deteriorated.

Within numerous EU urban areas, deprivation takes a variety of forms and geographies. In common, these cities often share the negative effects of industrial restructuring of the past thirty years, worklessness and lack of business base, skills mismatches and low educational attainment, concentrations of poor housing and social problems, and ill health. Often these areas are centrally located, 'inner city' areas, a term transferred from the USA to describe economically and socially deprived strategic core locations in our cities, with clear competitive advantages including stable local markets and an under-utilised workforce.

Project summary

The European Learning Network (LNet) is made up of five partner cities – Amsterdam, Hamburg, London, Milan and Prague – which all have tales of economic success to tell. However, each city also has areas of significant deprivation.

Over the course of the 32 month project (July 2004 – February 2007), LNet partners have developed common approaches to realising the economic and social potential of deprived urban areas through the promotion of enterprise. In particular, partners have explored the most effective ways of promoting entrepreneurship, innovation and social enterprise in deprived urban areas.

Best practice solutions for promoting enterprise in deprived areas have been reviewed, for example, ways of providing tailored business support, raising skills levels and implementing effective governance structures.

All these policy solutions have been analysed in detail; in particular, LNet partners assess the transferability of best practices – if an intervention has worked well in one city, for instance, would it work effectively elsewhere?

Lessons learnt by LNet partners have been disseminated at conferences, seminars and workshops throughout the duration of the project. This report will present a summary of our findings.

The three themes

The three key themes that have formed the basis of LNet's work are entrepreneurship and the 'enterprise gap', innovation and social enterprise.

Entrepreneurship

Entrepreneurship is the practice of starting new businesses. As the majority of new businesses fail, entrepreneurship is often a difficult process. Entrepreneurial activities vary greatly according to the type of business being started, and the scale of the enterprise, which can range from solo projects to major undertakings that create many job opportunities.

Enterprise is recognised as one of the key drivers of economic growth and productivity in Europe. In deprived urban areas, there are often fewer business start-ups than in other areas and businesses may be more likely to fail. Residents of deprived urban areas face many barriers to enterprise – for example, difficulties accessing finance or business advice, and lack of skills. This 'enterprise gap' in deprived areas has been a key focus of the work of LNet.



Innovation

Innovation is typically viewed as a process that occurs within businesses. As distinct from 'invention', the first idea for a new product or process, innovation is defined as the commercial exploitation of these new ideas.

The term innovation can refer to both new products and services, and new processes. It can also refer to products and processes that are both new to the market and just new to the firm. Activities such as marketing existing products and accessing new markets, either domestically or abroad, can also be defined as innovations.

Importantly, businesses in any sector can innovate, not just high-tech firms.

Like entrepreneurship, innovation is recognised as one of the key drivers of economic growth in Europe. Deprived urban areas are less likely to attract and foster an innovative business base than other areas. This has an adverse impact on their prosperity and economic potential.

Social enterprise

A social enterprise is a business with primarily social objectives and aims. While still remaining a business, a social enterprise has the specific feature of reinvesting its profit in the business or in the local community, thus enabling it to deliver on social or environmental objectives. Social enterprises work to achieve social aims, such as job creation, training or the provision of local services, based on ethical values such as building the skills of local communities. These objectives are often seen to result in 'social profit', or benefits for society.

The rationale of social enterprises, using business to achieve public good, is thought to have potential to help create a strong, sustainable and socially inclusive economy. Many social enterprises have enabled individuals and communities to work together towards regenerating their local neighbourhoods.

The LNet learning method

LNet partners exchange best practices about how to promote entrepreneurship, innovation and social enterprise in their deprived urban areas. Partners have developed a 'learning method' to engage the wider community of policy makers and practitioners in each of the LNet partner cities in this process. Key features of this method are as follows:

Questionnaires

LNet partners complete questionnaires that analyse in detail how the concepts of entrepreneurship, innovation and social enterprise are understood in their cities. Key barriers to and opportunities for promoting these three themes in their deprived areas are also identified at this stage.

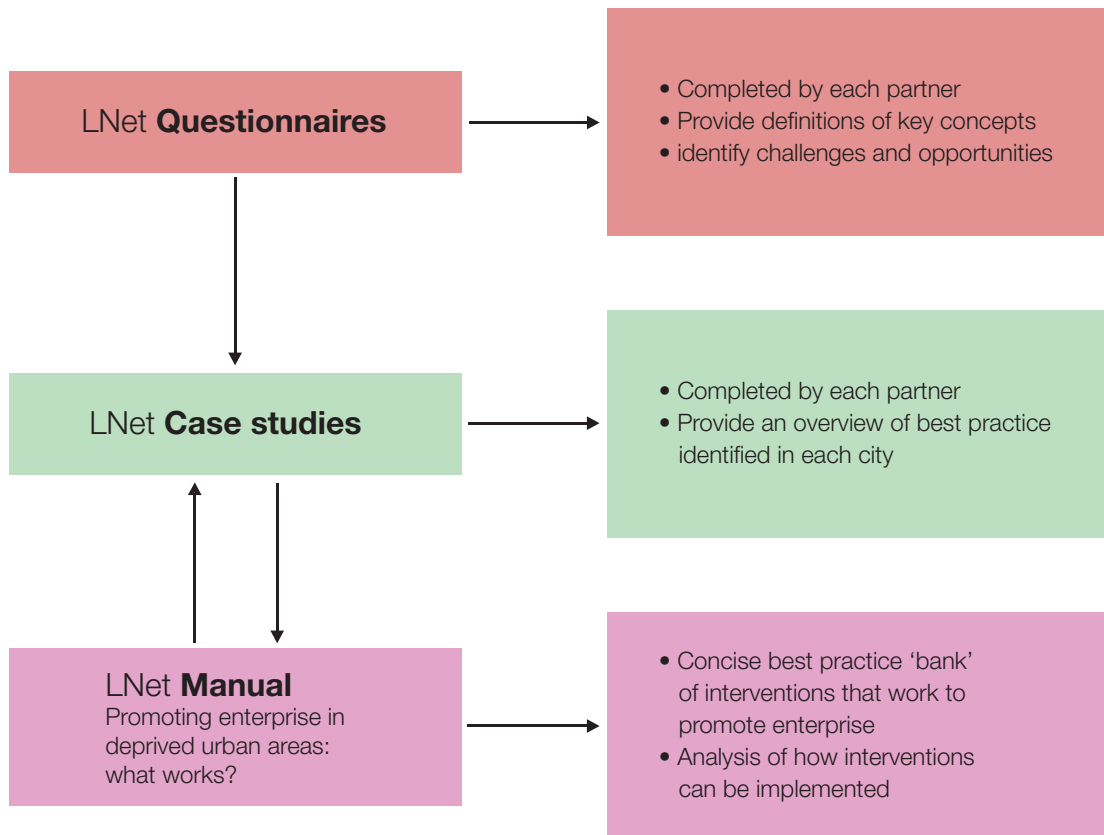
Case studies

The case studies take this process one step further, allowing partners to explore a portfolio of best practice solutions for promoting entrepreneurship, innovation and social enterprise in their deprived areas. At this stage, the transferability, sustainability and added value of the case studies are also reviewed.

The LNet manual

The manual presents all of the case studies in an accessible online format and will allow policy makers and practitioners from across the EU to learn from the work of the European Learning Network. In particular, the case studies provide ideas about what policies and interventions can successfully promote entrepreneurship, innovation and social enterprise in deprived urban areas, and how such interventions can be implemented.





2. Promoting enterprise in deprived urban areas: what works?

Throughout its course, LNet has aimed to develop a practical approach to urban regeneration, exploring innovative ways in which key policy priorities at European, national and local level have been translated in projects and initiatives. Its learning method has aimed to establish a forum for practitioners and policy makers to discuss and exchange their views on key local priorities, as they face the common challenge of finding innovative measures to address urban deprivation in the context of ever shrinking financial resources.

Here we review the key policy recommendations which have emerged during the exchanges among LNet partners and the wider audience. We consider these across four horizontal themes, as follows:

1. Finding appropriate delivery models (governance)
2. Delivering tailored services for potential and existing entrepreneurs (business support)
3. Investment and financial engineering (finance)
4. Giving the people the confidence to be entrepreneurs (skills)



1. Finding appropriate delivery models (governance)

Effective delivery mechanisms and partnerships are essential to the success of local enterprise and innovation promotion initiatives. In economic and social development terms, governance is often referred to as a range of actors working together in shaping and delivering urban government, public policy and urban services. The discussion on governance within the LNet project has focused on the type and quality of partnerships that have been developed to deliver specific initiatives, and also on the level at which partnerships are developed.

- **Promote partnership working between the public, private and voluntary sectors.**

Co-operation among different stakeholders has been the key to success of many of the initiatives reviewed as part of LNet. Partnership working can help break down barriers and pre-conceived ideas about working in specific areas or fields. One example is the case of social enterprise. Combining business acumen with social goals, this business model is often considered by mainstream financial institutions as a risky investment. By providing a forum for networking among (social) enterprises, local authorities and other socio-economic stakeholders, policy makers can identify needs of the business base and work to develop possible solutions. Inter-regional exchanges and partnerships, like LNet itself, are also useful in testing new approaches and transferring lessons and new concepts across projects.

- **Foster bottom-up private-sector led projects.**

Policy-makers can foster bottom-up approaches by seeking dialogue with local businesses and community groups, and by promoting networking among stakeholders. Initiatives that have been characterised by strong local and community ownership have generally benefited from an additional drive to ensure their success and sustainability.

2. Delivering tailored services for potential and existing entrepreneurs (business support)

Accessing timely and appropriate business support can make a huge difference to the process of starting, maintaining and growing a business. This is particularly the case in deprived urban areas, where economic, social and structural barriers hinder the development of a thriving business base. A wide variety of public and private sector organisations, at the national, regional and local levels, are involved in providing such support, yet shortcomings in accessibility and adequacy of the services still persist.

- **Ensure high quality and tailored support.** Mainstream, one-size-fits all provision more often than not fails to provide an adequate response to the business support needs in deprived urban areas, where barriers to enterprise and innovation are heightened by local disadvantage. Strategies such as engaging the private sector in shaping provision and delivering sector or area-specific support has proven successful in terms of addressing some of the pitfalls of more generic provision.
- **Promote accessibility of business support services.** Business support providers must ensure that their services are as accessible as possible to disadvantaged communities. To achieve this, delivering business support through local intermediaries that already have links with local communities (such as schools and religious centres) has been proven to be effective. Moreover, employing outreach workers from the target communities themselves, in order to market provision among disadvantaged groups, can help raise the profile and credibility of business support initiatives.
- **Develop a joined-up approach to support for entrepreneurs.** Tailored business support can certainly help to minimise the risks of failure for a venture. However, this service should not be considered in isolation, as barriers to the success of an enterprise might also come from other issues facing the potential or existing entrepreneur, such as lack of adequate infrastructure, premises and childcare, to mention a few.
- **Support business incubation that is integrated in the local economic and social fabric.** Business incubation facilities can help innovative start-ups to develop and grow. Locating business incubators in deprived urban areas can help to stimulate the regeneration of these localities, as well as providing innovative local businesses with access to premises. Favouring links between universities and incubators can also raise awareness among students of the potential and opportunities of enterprise, while supporting the transfer of entrepreneurial skills and knowledge.

3. Investment and financial engineering (finance)

Promoting enterprise and innovation is all very well, but getting a company off the ground or expanding it requires money, and finding the right kind of finance is often a major difficulty for small and medium-sized enterprises (SMEs). There are many factors which explain this difficulty, both on the demand and supply side: on the one hand, a risk aversion culture often makes investors and banks wary of financing start-up SMEs and, on the other hand, European entrepreneurs frequently have little understanding of the concerns of investors or banks, making it even harder for them to find the financial backing they need.

In recent years, policies at the European, national and regional/local level have aimed to identify remedies for market failures and encourage the development of financial markets, particularly in deprived urban areas. At the same time, the private sector has started recognising the importance of investing in inner city areas where there is considerable market potential; companies have manifested new interest in participating in the improvement of the local economic environment because it impacts directly on their performance.

- **Create synergies between stakeholders.**

Promoting a dialogue between financial institutions, the public sector and potential entrepreneurs can go some way towards breaking down the barriers described above. Partnership working between the third sector and financial institutions has proven to help provide tailored financial solutions for social entrepreneurs, for instance.

- **Develop innovative financial tools.** Finance may be made available in the form of loans, venture capital, business angels, joint ventures, equity or grants. Alternative models of financial support such as borrowing circles create a banking system based not on the need for collateral but on mutual trust, accountability, participation and creativity, making access to finance easier for disadvantaged groups.
- **Provide investment readiness support.** ‘Investment readiness’ support, such as that provided by the Micro Loan Programme (see chapter 4), helps entrepreneurs to develop the financial awareness, knowledge and expertise required to access finance. Investment readiness activities can include support with business planning, loan applications and presentation skills. At a later stage of the business cycle, providing follow-up support to entrepreneurs after they have accessed finance can help to increase their businesses’ chances of survival.
- **Develop positive place branding to help attract investment.** Positive branding can help turn around the fortunes of deprived urban areas and attract much needed inward investors. Marketing initiatives and publicity campaigns may be necessary to raise awareness of the social enterprise sector in countries where the potential social economy has not yet been recognised. Promoting access to markets and supply chains for businesses in deprived urban areas, using innovative online approaches, can also be effective, as demonstrated by the Hidden Art model (see chapter 4).

4. Giving people the confidence to be entrepreneurs (skills)

It is crucial to develop the skills base and human capital of the communities living in deprived urban areas, with a view to enhancing the entrepreneurial potential of current and future generations and building a sustainable and vibrant business base. This process includes the upgrading of existing skills of deprived communities, and developing an environment where a more entrepreneurial culture can thrive from an early age.

- **Promote an entrepreneurial culture across the educational curriculum, from primary school to higher education.** Fostering an entrepreneurial culture in the long-run has to start at school level, exposing young people to the business world, stimulating their interest in its opportunities and helping them to develop a realistic perspective on success and failure in the enterprise world. Many universities are now offering entrepreneurship courses to students enrolled in a variety of disciplines, in an attempt to increase awareness on enterprise and its opportunities. Locating business incubators close to a university is also seen as a successful strategy to forge links between the higher education sector and the business world.
- **Support hands-on skills development.** Helping young people to set up micro ventures in a stimulating and supportive environment can encourage the development of technical and soft skills. However, setting up mini-companies is not the only way for young people to learn about enterprise; entrepreneurial skills could also be integrated in existing subject courses in schools, colleges and universities, encouraging pupils and students to develop more creative and innovative approaches to completing assignments.
- **Provide personal development sessions.** Personal development sessions (for adults as well as young people) can be useful in helping people to shape their business ideas and develop the 'soft skills' for enterprise, in the form of communication and presentation skills and self-confidence, among others, which are crucial for a successful business. These sessions can also break down business stereotypes, for example the idea that you need to be aggressive to be a good salesperson, or that entrepreneurs are young, white men in suits. When working with disadvantaged groups, it is important to remember that only a small minority will actually go on to start up a business. Training in personal development, however, is never wasted. The skills people learn can be beneficial to them in many areas of their lives, helping them to find work (if they are unemployed) or to find better, more fulfilling work (if they are 'underemployed').
- **Develop and promote role models.** Providing young people or other potential entrepreneurs with effective role models, such as successful entrepreneurs from their own area, gender or ethnic group, can be an effective way of inspiring entrepreneurial mindsets. Using role models can also be an effective way of building people's confidence to start a business and of promoting an entrepreneurial spirit among local communities.

3. Enterprise in European, national and city policy agendas

The European Learning Network's focus on enterprise as a tool for urban regeneration is reflected in the European, national and city policy contexts.



European context

All European Union enterprise policy falls under the umbrella of the ambitious **Lisbon Agenda** of 2000 and its subsequent review. This strategy, which aims to support the EU's transition in becoming the most competitive knowledge-based economy, coupled with full-employment by 2010, rests on three key pillars:

- An economic pillar, supporting the transition to a competitive, dynamic, knowledge-based economy, boosting research and development and emphasising the need for greater flexibility in adapting to the information society.
- A social pillar designed to modernise the European social model by investing in human resources and combating social exclusion. Investments in education and training and active labour market policies at national level are key ingredients here in the shift to a knowledge economy.
- An environmental pillar, accentuating the necessity of coupling economic growth with a responsible use of natural resources.

The **Competitiveness and Innovation Programme** (CIP), which will run from 2007 to 2013, sets out the EU's policies for promoting enterprise and entrepreneurship in more detail. According to the CIP, EU competitiveness depends on high performance in terms of research and innovation, information and communication technologies, entrepreneurship, competition, education and training.

EU regional policy objectives (2007-13)

The EU's regional policy is designed to strengthen the economic and social cohesion of the European Union, in order to promote balanced and sustainable development across its territory. Three objectives were retained for the next round of the EU's regional policy interventions, which are given financial support through the Structural Funds (European Cohesion Fund (ECF), European Regional Development Fund (ERDF), and European Social Fund (ESF)). These three objectives are:

1. **Convergence:** Supporting growth and job creation in the least developed Member States and Regions (where per capita GDP is below 75% of the EU average)
2. **Regional competitiveness and employment:** Anticipating and promoting change. This new objective would effectively bring together the current Objective 2 and 3 through a two-fold approach:
 - **Regional programmes**, financed through ERDF, would focus on three themes:
 1. **Innovation and the knowledge economy, with a strong focus on fostering entrepreneurship**
 2. Environment and risk prevention
 3. Access to transport and telecommunication services of general economic interest
 - **National programmes**, financed through ESF, helping people to anticipate and adapt to economic change, in line with the European Employment Strategy and focusing on:
 1. Increasing the adaptability of workers, enterprises and entrepreneurs
 2. Enhancing access to employment and the sustainable inclusion of job-seekers and inactive people in the labour market
 3. Reinforcing the social inclusion of disadvantaged people
 4. Enhancing human capital
 5. Promoting partnerships
3. **European territorial cooperation** (2.5% of the budget): Promoting the harmonious and balanced development of the European Union's territory, building on the experience of the INTERREG III programme, in particular its cross-border and transnational dimensions.

As well as being central to the competitiveness agenda, enterprise is also a cornerstone of the EU's policy for urban regeneration. Indeed, the potential for enterprise and innovation to turn around the fortunes of deprived areas has been clearly recognised in the new EU cohesion policy regulations. The aims and objectives of the next round of the **Structural Funds** (2007-13) are shown in the table.

As can be seen, innovation and entrepreneurship are given a significant role in enhancing competitiveness, attractiveness and employment within the EU's lagging regions. Within this agenda, social enterprise has also been given particular weight. In 2004, the European Commission's 'European Agenda for Entrepreneurship' introduced actions aiming to encourage entrepreneurship in social sectors, particularly for the delivery of services in sectors alternative to, or complementing, the public sector. Successful examples of this can be found among LNet's social enterprise case studies which are featured in the online LNet Manual: 'Promoting enterprise in deprived areas: what works'. Visit www.thelearningnetwork.net for more details.

The European Learning Network also sees entrepreneurship, innovation and social enterprise as a vital tool for urban regeneration. In fact, the ideas presented in this report are intended to provide inspiration to policy makers and practitioners, who may also be looking to promote regional cohesion through innovation and enterprise in their deprived urban areas.

City portraits and urban deprivation

The developments at EU level have been echoed in recent years in policy shifts at the national and local level.

Greater attention has been brought to the LNet themes of entrepreneurship, innovation and social enterprise and their practical implementation on the ground. Greater emphasis on transnational co-operation, as practised by the European Learning Network, can also be identified in national policy contexts. Here we review some of the key developments in the LNet partner cities.



Amsterdam and the Netherlands

In the Netherlands, all three LNet themes are currently high on the policy agenda.

For example, reflecting the goals of the Lisbon Agenda, the Dutch Government has focused on creating a more stimulating environment for innovation. Policies related to entrepreneurship have also been given a fresh boost in recent years due, in particular, to the country's poor performance in this field. Much attention has been given to reducing barriers for potential entrepreneurs, supporting start-ups and new ventures and changing the mindset of the Dutch population (for example, by encouraging educational institutions to integrate entrepreneurship skills in their curricula). Many policy initiatives have given particular attention to entrepreneurship among minority ethnic groups and people on social benefits.

There have also been recent developments in the field of social entrepreneurship. Recently, the Parliament passed a resolution requesting the government to explore how a supportive environment for social enterprises could be developed, focusing specifically on Social Returns On Investment (SROI) and a possible investment fund. In addition, the Department of Social Affairs and the Start Foundation (an existing investment fund working towards the promotion of an inclusive labour market) have been working together to develop a vision for the role of central government in further stimulating the social economy.

Economic and social profile

Population	743,027 (2006) ⁱ
Population as % of national population	4.6% (2006) ⁱⁱ
Population density (inhabitants/km ²)	4,467 (2006) ⁱⁱⁱ
Gross Domestic Product (GDP)	€35.4 billion (2006) ^{iv}
GDP per capita	€47,600 (2006) ^v
Employment rate	68% (2002) ^{vi}
Unemployment rate	7.3% (2006) ^{vii}
List of main economic sectors	Financial & services Transport ICT Tourism ^{viii}
Those employed by sector	Primary: 1.4% Industry: 4.5% Construction: 3.0% Tertiary: 59.1% Public services: 9.1% (2003) ^x
Number of university students/ doctors	68,003 (2004) ^x

Nature of deprivation

Amsterdam's deprived areas are characterised by high levels of worklessness, particularly among immigrant communities where the average rate of unemployment is 10.9% (2005). Unemployment among young people is also a concern for the city. The most deprived areas of Amsterdam are the west, east and south east districts which, as well as having high levels of worklessness, face typical 'inner city' problems such as high crime rates and poor environmental quality.

Tackling urban deprivation

These problems have been addressed by European Union Structural Funds, such as Objective 2 and Urban II. The Objective 2 programme aims to support the economic and social conversion of areas facing structural difficulties, through improving competitiveness and reducing deprivation. EU funding in Amsterdam is complemented by the policies and funding streams of Amsterdam City Hall, which is the citywide governance structure in Amsterdam (one of the 70 municipalities in the Province of Holland) and the city districts, which are local government structures.

Between 2000 and 2006, around €31 million has been invested in the west of Amsterdam, €21 million in the east, and €15 million in the south east.

Economic and social development initiatives in the city are co-ordinated by Economic Affairs Amsterdam (EEA) and Social Development Amsterdam (SDA). EEA works directly with entrepreneurs across the city to encourage business start-up and growth, while SDA carries out citywide projects to strengthen social cohesion in Amsterdam.

www.ez.amsterdam.nl



Hamburg and Germany

Reducing the unemployment rate has been Germany's major policy priority over the last ten years.

More recently, this has translated into policies, among others, to encourage unemployed people to become entrepreneurs. Against this background, programmes such as Ich-AG were developed, to foster business start-ups through small financial investments. An 'Ich-AG' does not always provide enough funding for financial independence, but the scheme has enabled many workless people to take their lives into their own hands. Particular attention is also given to migrants and their integration into the labour market. This has been echoed in high profile discussions at national and regional level, in the form of migration summits, and through the development of specific programmes to foster the economic and social integration of migrants. In April 2006, Hamburg launched an action plan for the integration of young migrants, aiming to create 1,000 jobs or apprenticeships for this target group.

Economic and social profile

Population	1,734,000 (2003) ^{xi}
Population as % of national population	2.1% (2002) ^{xii}
Population density (inhabitants/km ²)	2,289 ^{xiii}
Gross Domestic Product (GDP)	€79.69 billion (2005) ^{xiv}
GDP per capita	€45,800
Employment rate	64.3% (ages 15-65) (2004) ^{xv}
Unemployment rate	11.3% (2005) ^{xvi}
List of main economic sectors	Transport Civil Aviation Media IT (2005)
Those employed by sector	Agriculture, forestry & fisheries: 1% Production Industries: 18% Distributive trade, hotel & restaurant industry, transport: 30% Other services: 51% (2005)
Number of university students/ doctors	69,737 students (winter term 2004/05) ^{xvii} 9,498 physicians (December 2003) ^{xviii}

Nature of deprivation

Hamburg ranks among the most prosperous European cities; however, the city has pockets of deprivation and social exclusion.

The most common characteristics of deprived urban areas in Hamburg are high unemployment rates, high proportions of social benefit recipients, low educational attainment, high levels of migrant residents, low housing standards and, in some cases high crime rates.

The decline of industrial areas, such as the Inner Harbour of Hamburg-Harburg, has left behind both brownfield land and high levels of unemployment (where large factories have closed). There are also several deprived residential areas in Hamburg, which lack a business base and inward investment potential. Moreover, several commercial districts, suffering from competition from larger retail chains, have also gone into decline in the city. In some neighbourhoods this has left a gap in service provision, making the areas less attractive places to live. However, in recent years, some of these districts have been successful in attracting student populations and creative industry businesses, due to their central location and relatively low costs – so much so that some have had problems with ‘gentrification’.

Tackling urban deprivation

Citywide responsibility for tackling urban deprivation is split between Hamburg’s Ministry of Economic and Labour Affairs, the Regional Ministry of Urban Development and Environment and the Ministry for Social, Family, Health and Consumer Protection Affairs.

Hamburg’s seven district authorities also have urban planning, economic and social divisions, which promote economic development at a local level. Moreover, the work of public authorities is complemented by a wide range of voluntary and community sector organisations and networks.

Only one small area of Hamburg received EU Objective 2 funding during the 2000-06 period, but there are several other European and national interventions to promote economic development in the city.

www.tutech.de



London and the United Kingdom

In the UK, urban renewal strategies have increasingly focused on tackling disadvantage by capitalising on opportunities, with enterprise promotion and innovation taking centre stage.

This was seen in the City Growth Strategies, which placed business development, private investment and job growth at the heart of the regeneration of some of the most deprived urban areas of the country. More recently, the Local Enterprise Growth Initiative (LEGI) was developed to provide flexible, devolved investment to support locally developed and owned proposals that pursue new or proven ways of stimulating economic activity and productivity through enterprise development. Other initiatives include the Phoenix Fund, which encouraged enterprise in disadvantaged communities and in groups under-represented in terms of business ownership, and channelled support through specialist business support providers and financial intermediaries.

The following section will focus on the specific case studies and lessons shared throughout the course of LNet's life by the partner cities.

Economic and social profile

Population	7.429 million (2006) ^{xix}
Population as % of national population	12.1% ^{xx}
Population density (inhabitants/km ²)	4,726 ^{xxi}
Gross Domestic Product (GDP)	£181.4 billion (2004) ^{xxii} (€269.7 billion)
GDP per capita	£16,859 (1999) ^{xxiii} (€25,382)
Employment rate	68.6% (2004) ^{xxiv}
Unemployment rate	7.8% (working age) (2004) ^{xxv}
List of main economic sectors	Finance Business services IT Media Creative industries
Those employed by sector	Manufacturing: 7.6% Construction: 5.2% Wholesale & retail: 14.4% Financial intermediation: 8.0%
Number of university students/ doctors	339,692 (2004) ^{xxvi}

Nature of deprivation

London is a city of great opportunity but there is also rising inequality in the region as incomes are polarising. Deprivation in London is conventionally linked to declining industrial areas. Historically, industry has been located in the east of London. In 2001, the east London boroughs of Hackney, Haringey, Newham, and Tower Hamlets had employment rates that were below 60% (London is divided into 33 local authority areas, called 'boroughs').

Across London, 30.3% of working age people are currently not in employment, and 20% of Londoners aged 16-19 do not have any qualifications. The costs of living in London are high and 30% of working age adults live in poverty after housing costs are taken into account. Overcrowding is also a problem, with around 25% of London's households having less than 1.5 rooms per person.

Nationally, the Government produces a composite Index of Multiple Deprivation (IMD), for the whole of the UK. The 37 indicators reflect seven 'Domains of Deprivation': Income, Employment, Health and Disability, Education, Housing and Services, Environment, and Crime. This approach reflects thinking that deprivation can be described in a number of different ways. Based on the IMD, 20% of wards (a ward is a spatial unit which defines the smallest electoral unit in the UK) in London are in the 10% of the most deprived wards in England.

Tackling urban deprivation

European Union funding for tackling deprivation exists in two programmes within London, Objective 2 and Urban II. 95 wards in the 13 most disadvantaged boroughs are eligible for assistance from Objective 2 between 2000-06. This area has a population of over 800,000 people. The Urban II programme is focussed on a geographically much smaller area, across two wards within the borough of Lambeth.

The 'London Plan' is London's spatial development strategy. Published by the Mayor of London, the document sets out the regional government's strategic vision for London's future economic development. The London Plan identifies 'Areas for Regeneration' across London which are in need of physical regeneration, economic development, and investment in people. The aim is to concentrate efforts in these areas to ensure that no-one in London is disadvantaged by where they live. Local level government in London co-ordinates its economic activities within the vision set out in the London Plan.

The Mayor is also responsible for producing an Economic Development Strategy (EDS) for London. This complements the London Plan, and sets out a plan for the sustainable, equitable and healthy growth and development of London's economy to 2016. The London Development Agency (LDA) writes the EDS on behalf of the Mayor. It takes a dual approach, looking at raising economic productivity and competitiveness in London, alongside reducing social exclusion.

www.gle.co.uk

www.lda.gov.uk



Milan and Italy

In Italy, the LNet themes have also received particular attention at the national and regional level.

The national 'Sviluppo Italia' initiative, an agency for business growth and investment, delivers various programmes aimed at fostering new enterprises and social enterprises, specifically targeting deprived areas. At the local level, efforts have concentrated on linking up support for creativity and entrepreneurship. For instance, the Province of Milan provides particular support for the creative sector, through a creative enterprise portal and a specific funding stream for new enterprises in the creative sector. At the municipal level, Milan has set up a local development intervention for the support of small and micro enterprises in its disadvantaged areas, tackling economic deprivation by supporting the start-up of new enterprises and the growth of already existing ones. Finally, the Milan Chamber of Commerce has a successful track record in supporting migrant entrepreneurship, providing training routes and economic incentives for migrants.

Economic and social profile

Population	3,869,037 (2006)
Population as % of national population	6.5% (2006)
Population density (inhabitants/km ²)	1,982 (2006)
Gross Domestic Product (GDP)	€145,976 million (10.3% of National GDP, 2005) ^{xxvii}
GDP per capita	€30,629 (2005)
Employment rate	66.7% (2005) ^{xxviii}
Unemployment rate	4.2% (2005) ^{xxix}
List of main economic sectors	Finance Advertising Tourism & prof serv. Mechanical engineering Metallurgy ICT Textile & clothing Fashion & design Wood & furniture
Those employed by sector	Industry: 28% Agriculture: 2% Trade & services: 69% Unclassified: 1% (2005) ^{xxx}
Number of university students/ doctors	184,108 (2005) ^{xxxi}

Nature of deprivation

Milan's post-industrial restructuring has been most severely felt in four local authority areas to the north of the city. In these areas, the closure of large industrial firms, in the steel, textile and mechanical engineering sectors, has left high levels of unemployment and a desperate need to regenerate local economies.

This process of de-industrialisation has also led to social and environmental deprivation, characterised by high crime rates, drug abuse and, in some areas, racial conflict.

Tackling urban deprivation

Economic development initiatives in Milan, led by the Province of Milan, focus on promoting the competitiveness of the local business base. The chamber of commerce plays an important role in supporting the start-up and growth of local SMEs.

The Province of Milan also works to support the work of Milan-based development agencies, such as the Milano Metropoli Development Agency and Euroimpresa. These agencies target economic regeneration activities in Milan's deprived areas. For example, the Milano Metropoli Development Agency has a focus on redeveloping the north Milan area, through promoting enterprise, employment and social cohesion.

www.milanomet.it

www.provincia.milano.it



Prague and the Czech Republic

Since its entry to the EU, the Czech Republic has placed much emphasis on international co-operation in its implementation of the Structural Funds.

Reflecting this, the new Human Resources and Employment operational programme for the 2007-13 period, which sets out how the Structural Funds will be spent, includes international co-operation as a major priority. International partnerships will give particular attention to enhancing efficiency in the implementation of the Structural Funds, as well as to enhancing innovative practices. Moreover, reflecting the LNet themes, the new Structural Funds regime in the Czech Republic will have a greater focus on entrepreneurship and innovation than the previous round with a focus, for example, on promoting business support and access to finance for SMEs.

Economic and social profile

Population	1,170,571 (2004) ^{xxxii}
Population as % of national population	11.5% (2004) ^{xxxiii}
Population density (inhabitants/km ²)	2,360 (2004) ^{xxxiv}
Gross Domestic Product (GDP)	€34,945 million (2003) ^{xxxv}
GDP per capita	€30,052.5 (2003) ^{xxxvi}
Economic activity rate of the population	61.3% (2004) ^{xxxvii}
Unemployment rate	3.58% (2004) ^{xxxviii}
List of main economic sectors	Finance Real Estate Information Technologies Advertising Business Tourism Printing Food Products Chemical Production Engineering
Those employed by sector	Services: 79.1% Industry: 20.6% Agriculture: 0.3% (2004) ^{xxxix}
Number of university students/ doctors	86,448 students (2004/05) ^{xl} 6.8 physicians per 1,000 inhabitants (2005) ^{xli}

Nature of deprivation

In Prague, poor transport systems, brownfield areas, and large poor quality housing estates cast a shadow upon the most successful city among the new Member States. Out of Prague's 57 municipal districts, 24 were identified as deprived under the EU's Objective 2 programme (for the period 2004-06), representing 30.9% of the total population (362,000 inhabitants).

These areas are characterised by environmental and infrastructural problems, poor quality housing, lower entrepreneurial activity and higher crime rates. The most disadvantaged group in the population – not only in Prague, but in the Czech Republic as a whole – is the Roma minority. The Roma population tends to have lower levels of educational attainment, resulting in high levels of unemployment.

Tackling urban deprivation

Prague's branch of the Centre for Regional Development of the Czech Republic (CRR CR), linked to the Czech Ministry for Regional Development, plays a role similar to that of a regional development agency, promoting social and economic development at the regional level. The Prague Economic Chamber supports the work of the CRR CR in helping Prague's SMEs by providing information, intermediary services and training, while the CzechInvest agency encourages foreign inward investment into Prague. The Labour Office of the Capital of Prague works to reduce unemployment in the city.

The Single Programming Documents, which comprise Prague's European Structural Funds allocation, constitute the main policy tools for tackling urban deprivation in Prague. Through Objective 2, this funding enables the redevelopment of brownfield sites and the improvement of transport and technical infrastructure, as well as the promotion of enterprise through innovation centres and support for SMEs.

Complementing the European programmes, national funding also promotes economic development in Prague, with a focus on providing financial support for SMEs.

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4. Lessons for promoting enterprise in deprived urban areas: what has worked?

The three themes

Over the course of the project, LNet partners have been working actively to overcome the barriers to enterprise in deprived urban areas, with a focus on three themes: entrepreneurship, innovation and social enterprise.

This section will explore some of the key barriers to entrepreneurship, innovation and social enterprise. It will also put forward ways in which interventions in LNet partner cities have overcome these barriers, in order to promote enterprise and regeneration in their regions.

Lessons for policy-makers based on these interventions will also be put forward. These case studies are intended to provide inspiration for policy-makers and practitioners, who may, for example, be designing interventions under the new round of EU Structural Funds.

Importantly, many more case studies are featured in the online LNet Manual 'Promoting enterprise in deprived urban areas: what works', which can be found at www.thelearningnetwork.net

The 'transferability' of an initiative refers to the potential to apply it, or a similar model, effectively in another setting. Although the initiatives described below often build on unique local circumstances, various elements of interventions may indeed be transferable to other locations in the EU, or further afield.



CASE STUDY

Providing tailored and accessible business support

Project: **The Urban Project, London**

Owners and managers of any business, including social enterprises, need a broad set of skills.

In areas of high unemployment however, people may lack the attitude, confidence and motivation for entrepreneurship. In deprived areas, the pool of potential entrepreneurs and employees is also more likely to contain individuals with lower skills levels.

Moreover, while business support may be available in many deprived areas, its effectiveness can be limited by a lack of understanding among communities about the type of support on offer. Often business support may not be adequately tailored to the needs of specific groups.

The case study below shows how a tailored business support initiative has worked to promote **entrepreneurship** among disadvantaged communities in south **London**.

About the Urban Project

What is it?

The Urban Project promotes entrepreneurship and the option of self-employment among disadvantaged groups in London, enabling them to move closer to starting up businesses.

Who is it?

The project is delivered by GLE oneLondon.

Where is it?

The project operates in Stockwell and Larkhall, areas of London that suffer high levels of deprivation. Unemployment in these areas is more than twice the London average, at 10.9% in Stockwell, and 11.8% in Larkhall. This is exacerbated by a low level of economic activity, low skills base, a continuous stream of new arrivals into the area and high levels of homelessness among young people.



How does it work?

Providing tailored business support

The project provides detailed advice and guidance about self-employment, enabling people in disadvantaged communities to move closer to starting up businesses. This guidance includes help in developing not only core business skills, but also the softer skills – such as confidence, presentation and negotiation – that are integral to being successful in business.

Personal development sessions to build confidence

Through the Urban Project, people have the opportunity to undertake personal development sessions, where they can take time to explore their business ideas, rather than immediately discussing the practicalities of raising finance and writing a business plan. These sessions also aim to break down business stereotypes, for example the idea that you need to be aggressive to be a good salesperson, or that entrepreneurs are young, white men in suits.

Often, this personal development training is more about helping people to identify what skills they already possess, rather than giving them new skills. Demonstrating to people what transferable skills they already have (such as accounting skills from managing household finances) the team help to build up people's self-confidence and self-esteem considerably. A key area is to give people a bit of 'polish', helping them to develop presentation and communication skills, so they can sell themselves and their businesses.

Making the support available to disadvantaged groups

Reaching out to disadvantaged groups was one of the key challenges of the project. The following strategies were used to engage the target communities:

- **Employing local community members as outreach workers** to market services to local groups. Using 'informed insiders' in this way helps to build trust with local residents.
- **Engaging local agencies, gatekeepers and 'opinion formers'** to help recruit beneficiaries onto the project. Partnership working has functioned best where the project has managed to link in with the existing provision of local agencies. For example, the project added value to a local women's group, already providing confidence-building for local women, by offering sessions on self-employment.
- **Experimenting with different timings and locations.** For example, the project tried to engage unemployed (or underemployed) women by holding business support sessions in schools, during school hours. This approach has proved particularly successful for women with children at the schools in question, allowing them to balance the sessions with childcare responsibilities. The Urban Project is also planning sessions in a variety of community locations, such as mosques and church halls. By experimenting with many different times and locations, the project hopes to make services as accessible as possible to community members.

- **Using role models.** In one of the sessions run recently in Stockwell, a local entrepreneur was asked to present her case study to a local women's group. The woman was a caterer from the Portuguese community, living in the Stockwell area herself, and understood the barriers faced by residents when starting up a business. She spoke openly and honestly about her experiences, proving an inspiration to those she addressed.

Would this work in your area?

Many aspects of this model, which makes business support services more accessible to priority groups, are transferable to other areas.

For example, offering personal development training to beneficiaries alongside more traditional business support provision would also be possible in other localities. This ensures that beneficiaries build up the softer skills for enterprise, such as communication and presentation skills.

When working with disadvantaged groups, it is important to remember that only a small minority will actually go on to start up a business. Training in personal development, however, is never wasted. The skills people learn can be beneficial to them in many areas of their lives, helping them to find work (if they are unemployed) or to find better, more fulfilling work (if they are 'underemployed').

Employing local community members as outreach workers, to market services to local groups is also replicable in other areas. Where possible, outreach workers and business advisers should speak the same language as the target group.

Engaging local agencies and 'opinion formers' to help recruit beneficiaries onto projects is another transferable element. These groups will already have the trust of the local community and will add much value to the project. Of course, a barrier to transferability is the willingness of local agencies to engage with business support providers.

In addition, experimenting with different timings and locations is a straightforward way of making the service as 'easy-to-reach' as possible. The use of role models – from the same communities as those the project is seeking to engage – is also an effective way of building people's confidence to start a business.

Lessons for policy-makers

- Provide personal development sessions to help people to develop their business ideas and learn about the 'softer' skills they need for enterprise, such as presentation and communication skills
- Work with local community members and agencies to help market business support initiatives, making them more accessible to target groups
- Hold business support sessions at a variety of times and locations to help to make services more accessible
- The use of role models is also an effective way of building people's confidence to become entrepreneurs

CASE STUDY

Enterprise and education**Project: The (V)MBO Business School, Amsterdam**

In areas where unemployment is the norm, few young people will aspire to starting up their own businesses. This contributes to a weak culture of enterprise and innovation in many deprived areas. Promoting entrepreneurship among school children and university students may be a way of turning this situation around.

The case study below highlights ways in which an initiative in **Amsterdam** has worked to foster **entrepreneurship** among young people.

About (V)MBO Business School**What is it?**

(V)MBO Business School works to promote entrepreneurship among 14 and 15 year old school pupils, by giving them the opportunity to develop 'learning companies', producing, promoting and selling products during a six week period in and around their school.

Who is it?

(V)MBO Business School is supported by MKB Amsterdam (an association of Amsterdam SMEs), the local authority and the Ministry of Education. Enterprise specialists from banks and chambers of commerce, as well as older students, also get involved in the project as mentors.

Where is it?

The schools in which the project operates tend to be located in deprived urban areas, with high unemployment rates and low skills levels. Many of the young people involved in the project are at risk of social exclusion.

“If the young people make a profit, they are allowed to keep it for themselves. This greatly motivates them to make their enterprises a success.”



How does it work?

Setting-up mini companies

(V)MBO Business School promotes entrepreneurship among young people, giving them an opportunity to set up their own companies, through which they learn about administration, marketing, and teamwork. Three or four afternoons per week for six or seven weeks in a row are put aside for this project. The young people work in groups of four to produce, promote and sell their own products. If they make a profit, they are allowed to keep it for themselves. This greatly motivates the young people to make their enterprises a success.

Developing presentational skills

Throughout the project, the young people are given the opportunity to present themselves and their company four times. After one week, they must present their business idea to their fellow (V)MBO-students; after two weeks, in order to get a loan, they must present their business plan to a bank representative; after three weeks, they give a presentation at the Chamber of Commerce; finally, at the end of the project, they present to their parents and other invitees. Both during and after the project, students must give continual feedback to teachers on their own performance, as well as on the performance of teachers, directors and business mentors.

Mentoring opportunities

Older students also co-operate in the programme, working as part-time directors for the student companies. In addition, representatives of banks (such as ABN AMRO, ING and Rabobank) provide business mentors and role models who support the student companies for one day a week during the programme. Amsterdam Chamber of Commerce organises an entrepreneurship workshop for participating students, and extracurricular visits are organised to companies and other organisations.

Would this work in your area?

The (V)MBO Business School model is highly transferable to other schools, cities and countries. Successful projects require co-operation between schools, local authorities and business partners, which can be challenging, but is rarely impossible.

People working in the private and community sectors are often happy to engage with young people as business mentors and role models. The experience of this project suggests that it is often best to aim high, asking the bank manager directly for support rather than bank employees.

Projects work best when they are driven by motivated teachers within schools, rather than by public authorities 'imposing' the model on schools from above. Indeed, the (V)MBO project has been driven by the ambition of local teachers to motivate their students.

Schools must be flexible in order to fit the programme into the curriculum, as has been the case in Amsterdam. The model could meet resistance by school teachers in other localities and regions where it is felt that the school curriculum is already overcrowded.

Lessons for policy-makers

- By setting up mini-companies, young people learn many new technical and soft skills, from how to set up and market a business to how to present themselves effectively in an interview
- Providing young people with effective role models, such as successful entrepreneurs from their own area, gender or ethnic group, can be an effective way of inspiring enterprise among young people

CASE STUDY

Tailored financial solutions for entrepreneurs

Project: The Micro Loan Programme, Hamburg

Entrepreneurs in deprived areas often have difficulties in obtaining the finance they need to start up and grow their businesses.

This can be for several reasons, including limited access to cash reserves and lack of collateral to act as security for bank loans. Individuals in deprived areas are twice as likely not to have a bank account as in other areas; this can adversely affect the credit rating of potential entrepreneurs, meaning they are less likely to access bank loans.

Businesses located in deprived areas are often perceived by banks and financial institutions to be higher-risk investments. There can be disproportionately high transaction costs for banks in the cost of monitoring small loans to small or micro-businesses in what are seen to be 'risky' markets. This means that banks are less likely to lend to businesses in deprived areas.

The following case study demonstrates how an initiative in **Hamburg** has worked to promote **entrepreneurship** among disadvantaged groups by facilitating access to finance.

About the Micro Loan Programme

What is it?

The Micro Loan programme is a publicly-financed micro-credit programme targeted at unemployed people in Hamburg. Loans are available up to €12,500 per person and €25,000 per enterprise, in order to promote entrepreneurship in the city. There is no minimum loan size. The programme has been running since June 2002 and the fund, initially worth €750,000, has recently added a further €1.5 million to its stock.

Who is it?

The project is delivered by Hamburg's Ministry for Economic and Labour Affairs, in co-operation with the Johann Daniel Lawaetz-Foundation and the TeleCoaching Team at EVERS & JUNG.

Where is it?

Unemployed people from all areas of Hamburg are able to benefit from the programme.

How does it work?

Publicly-financed programme

Importantly, banks are not involved in the Micro Loan programme's application process, or in the granting of the loans. The programme has a higher risk tolerance than banks, meaning that it is possible for the scheme to lend to people (often with poor credit ratings) who would have been turned down by mainstream lenders, based on the individual merits of the entrepreneur or business idea. Furthermore, banks often refuse to consider applications from start-ups in certain sectors or regions, without evaluating individual cases on their own merits.



About 420 loan applications have been accepted, with around 400 loans already paid out (June 2006). The average loan size is around €8,000, with an estimated €3.2 to €3.5 million granted in total.

Support in developing loan applications

Potential entrepreneurs are supported throughout the loan application process by staff at the Lawaetz-Foundation, ensuring that their loan applications adhere to the minimum standards required. This process helps to save time at the application-processing stage, ensuring that all applications are correctly completed and present viable business ideas. Loans can therefore be quickly processed and applicants receive decisions about whether their funding bids have been successful relatively quickly.

As entrepreneurs are given a realistic assessment of their business idea, the pre-loan intensive support phase ensures that false hopes of receiving funding are not built up.

Follow-up support for entrepreneurs

An innovative TeleCoaching scheme provides follow-up support to loan recipients. The voluntary scheme is telephone-based, meaning that it is cost-efficient and easily accessible to busy entrepreneurs who may be unwilling to take time out of their days to visit support services in person.

Through the TeleCoaching programme, borrowers are contacted by experienced consultants every three months. The TeleCoaching service helps entrepreneurs to assess how their businesses are progressing, and to implement improvements where necessary. Potential problems can be identified at an early stage, allowing preventative measures to be put in place, thereby improving business survival rates.

Would this work in your area?

The use of public funds to support entrepreneurship is transferable. In Hamburg, the Micro Loan project is seen as a more effective and sustainable use of public money than the provision of social benefits to unemployed people.

Combining access to finance with pre-loan advice in order to prepare people for self-employment is also transferable. This has helped more entrepreneurs to make successful applications, as well as cutting down on unnecessary bureaucracy at the decision-making phase.

In addition, the implementation of follow-up support to loan recipients, through a TeleCoaching scheme, is transferable. Contacting businesses at three month intervals to diagnose any problems and help implement solutions has been a cost-effective way of accessing and supporting busy entrepreneurs. It has also helped to reduce business failure rates.

Lessons for policy-makers

- Providing finance for unemployed entrepreneurs, who have failed to access funds from mainstream providers such as banks, can be more financially viable for policy makers than paying out social benefits
- 'Investment readiness' support, such as that provided by the Micro Loan Programme, helps entrepreneurs to develop the financial awareness, knowledge and expertise required to access finance. Investment readiness activities can include support with business planning, loan applications and presentation skills
- Providing follow-up support to entrepreneurs after they have accessed finance can help to increase their businesses' chances of survival

CASE STUDY

Financial solutions for social entrepreneurs

Project: PAN, Milan

Another barrier to the financing of enterprises in deprived areas is the lack of attention paid to the social return on investment, as well as the financial returns. Enterprise – and social enterprise in particular – can generate a positive impact on the wider community, but this is not taken into account in decisions by lenders.

The case study below shows how an initiative to provide access to finance in **Milan** has worked to promote the start-up and growth of **social enterprises** in the city.

About PAN

What is it?

PAN (Progetto Asili Nido) is a not-for-profit consortium that provides finance for organisations that are setting up children's nursery schools based on the social enterprise business model. PAN also works actively to support the families in receipt of these childcare services.

Who is it?

PAN is a consortium established and supported by the Banca Intesa, one of the most important mainstream banks in Italy, and the main Italian social enterprise networks: Compagnia delle Opere, Consorzio Gino Mattarelli, and Legacoop.

Where is it?

The project operates in deprived urban areas across Italy.



“The bank loan criteria set by PAN takes ‘social profit’ into account, as well as the financial viability of the proposed schemes.”

How does it work?

Tailored financial tools

In Italy, the lack of tailored financial tools is one of the main barriers to the growth and development of the social enterprise sector. PAN has addressed this barrier by setting up a partnership between financial institutions (such as Banca Intesa) and social enterprise networks. With the support of the financial institutions, PAN provides tailored financial tools, in the form of loans, for social entrepreneurs who want to set up nursery schools.

The bank loan criteria are defined by Banca Intesa in partnership with the third sector representatives. As a result of this partnership working, the loans are tailored to the social enterprise business model.

Social enterprises and other third sector organisations work to achieve social aims, such as job creation, training or the provision of local services, based on ethical values such as building the skills of local communities. These objectives are often seen to result in 'social profit', or benefits for society.

The bank loan criteria set by PAN takes this 'social profit' into account, as well as the financial viability of the proposed schemes. Moreover, to increase the social entrepreneurs' chances in accessing these loans, PAN also supports them with business planning activities.

Support for families living in deprived areas

PAN offers support to families that decide to enrol their children in a 'PAN' nursery school. PAN allows them to obtain a preferential bank loan for the payment of the fees, and facilitates the return to work for the new parents.

Would this work in your area?

One of the lessons that can be transferred to other localities and regions is the promotion of partnership working between financial institutions and not-for-profit organisations, in order to set up tailored financial tools for the social enterprise sector. This has been crucial in raising awareness among financiers about 'social returns on investment' and promoting the incorporation of these into their investment decisions. The business planning support offered by PAN to social entrepreneurs, which helps them to access credit for start-up ventures, is also transferable to other areas.

PAN was able to build upon the long-established social enterprise representative networks, which acted as mediators between the sector, public authorities and the financial system. This enabled real dialogue and co-operation to take place throughout the development phase of the initiative. Moreover, the co-operation and partnership with Banca Intesa, vital in providing the loan finance for the PAN project, was a real competitive advantage on which the project was able to build.

Lessons for policy-makers

- Partnership working between the third sector and financial institutions can help to provide tailored financial solutions for social entrepreneurs
- Such partnership working can raise awareness among financiers of different business models, such as social enterprises

CASE STUDY

Governance and strategy**Project: The Citizenship Agency, Milan**

In many European regions, there is a low level of recognition of the potential of social enterprise in economic and social development strategies, and a lack of transparency with respect to the status and activities of social enterprises.

The case studies below show how good governance and advocacy of the **social enterprise** sector has been promoted in both **Milan**, which has a long history of social enterprise, and **Prague** where the concept of social entrepreneurship is a relatively new idea.

About the Citizenship Agency**What is it?**

The Citizenship Agency (CA) supports the development of social enterprises in Milan, through a consultancy and training service. The CA also works to promote the social economy across the Milan region, and provides a forum for networking between social enterprises, local authorities and other social economy actors.

Who is it?

The CA is an association of 90 partners, including public, voluntary and private sectors. Banca Popolare Etica, which is also a member of the CA, provides social enterprises (particularly co-operatives) with consultancy services, in order to improve their access to credit and grants.

Where is it?

The project operates inside and around the city of Milan, and has a particular focus on areas of deprivation.

“The Citizenship Agency has contributed to increasing the role of social enterprises in the definition of local development strategies in Milan.”



How does it work?

Promoting good governance for the social economy

The CA works to promote the social economy across the Milan region, and provides a forum for networking between social enterprises, local authorities and other social economy actors. Six 'social enterprise hubs' have been set up in the region, one for each local authority area, for this purpose. These hubs, co-ordinated by an expert practitioner, provide an arena for local stakeholders to share good practices from the social economy sector, identify needs, and experiment with possible solutions.

Raising awareness

The CA works with the private sector to raise awareness about Corporate Social Responsibility (CSR) and social accounting. In Italy, the CSR agenda has proved vital in supporting the third sector, as private companies are usually among the most important clients for businesses in the social economy.

Tailored business support

The CA also supports the development of social enterprises in Milan, through a consultancy and training service that helps social enterprises with issues such as access to finance, marketing and business planning.

Would this work in your area?

The CA has contributed to increasing the role of social enterprises and the third sector in the definition of local development strategies and policies in Milan. The model on which CA operates, with a focus on promoting dialogue, is generally transferable to other areas.

The project builds on several local competitive advantages, for example the fact that there is a rich social economy sector to provide a demand for CA services. The CA also benefited from the recognition among public sector agencies of the importance of the third sector, and the willingness of a range of stakeholders to engage with it. These competitive advantages may not be available elsewhere.

The project was made possible by the availability of large amounts of co-financing from the EU (EQUAL). Access to finance could pose a barrier to transferability.

Lessons for policy-makers

- By providing a forum for networking among social enterprises, local authorities and other social economy actors, policy makers can identify needs of the social enterprise sector and work to develop possible solutions
- Efforts to raise awareness of the social enterprise sector among the private sector can also be useful, as private companies can be important clients of businesses in the social economy

CASE STUDY

Raising awareness about the social enterprise sector

Project: The Social Firm Development Project, Prague

About the Social Firm Development Project

What is it?

The Social Firm Development Project aims to develop a model of social enterprise suitable for the Czech Republic. This was achieved through a detailed study and the creation of two social firms. The project is running from August 2005 until December 2007.

Who is it?

The project is co-ordinated by the Civil Society Development Foundation (NROS). The two social firms established through the project are run by voluntary sector organisations, Fokus Prague and Sananim. Moreover, international partners in Italy, France, Germany, the Netherlands and the UK have allowed the Prague partners to learn more about the experiences of the social enterprise sector in other EU countries.

Where is it?

The project aimed to impact on the governance and strategy of the social economy in Prague and the wider Czech Republic. Of the two social firms set up by the project, one works in the centre of Prague and the other is located in the outskirts of the city.

How does it work?

Promoting good governance of the social economy

The terms 'social firm' and 'social economy' are relatively new concepts in the Czech Republic. As such, there is no legislative framework for the social economy in the country, and few mechanisms exist to finance and support activities in the sector. To address this, the project developed a publication that sets out a theoretical model of social enterprise for the Czech Republic.

This included the following components: a description of the legal requirements for the sector; a specification of the possible target groups for 'social firms' employees (a type of social enterprise employing disadvantaged groups); a description of the training and support required by social entrepreneurs at different stages of their development; financing options for the sector; a description of types of social enterprises; and best practice experiences from other EU countries.



Raising awareness

One of the main goals of the Social Firm Development Project was to broaden mindsets and raise awareness of the social enterprise concept in the Czech Republic. This was achieved through a publicity campaign, which aimed to support the creation of new social firms on the ground, and encourage legislative change at the national strategic level.

Supporting the creation of two social enterprises

The project has also supported the creation of two social enterprises, led by Fokus Prague and Sananim.

- Fokus Prague is a non-governmental organisation that, through the project, aims to transform one of its four sheltered workshops (in fields such as gardening, hospitality, dressmaking and carpentry) into a social firm. The creation of the firm is still in the preparatory stage. Eventually, however, it is intended that the sheltered workshops will provide a supportive environment for people with physical disabilities or mental health problems to acquire job skills and vocational experience.
- Sananim is a non-governmental organisation which provides prevention, care and treatment services for people with drug addictions. A restaurant/café was opened in November 2005, employing four clients of the project. The reconstruction of the building that accommodates the café was co-financed by the City of Prague and EU funding.

An international partnership, 'Building Bridges', has also been set up through the Social Firm Development Project, to allow emerging social enterprises in the Czech Republic to learn about the experiences of the social enterprise sector in other EU countries.

Would this work in your area?

Many elements of the Social Firm Development Project are transferable, in particular, the exchange of experiences/ best practices between countries where the social enterprise sector is very established (such as Italy), and countries where it is still in the development phase (such as the Czech Republic).

Lack of awareness of the social enterprise sector among the public administration and NGOs constitutes the largest barrier to transferring this project, and supporting the development of the sector in the Czech Republic. Moreover, a strong belief in an 'omnipotent' welfare state in some countries, able (and even obliged) to take care of all its citizens, might result in a barrier to social enterprises providing services that have traditionally fallen within the remit of the public sector.

Lessons for policy-makers

- Regions where the social enterprise sector is still a relatively new concept could benefit from the experiences of those regions where the idea is more developed
- Marketing initiatives and publicity campaigns may be necessary to raise awareness of the social enterprise sector in countries where the potential social economy has not yet been recognised

CASE STUDY

Regenerating deprived areas and attracting inward investment

Project: **channel hamburg e.V., Hamburg**

Many infrastructural and environmental problems can hinder entrepreneurship and innovation in deprived urban areas. For instance, deprived residential areas, brownfield sites and former industrial and military sites may be less likely than other areas to foster a business base or attract inward investment.

The following case study shows how a network of local businesses in **Hamburg** has worked to promote the physical regeneration of a deprived urban area, and attract **innovative** businesses to a previously neglected site.

About **channel hamburg e.V.****Who is it?**

Channel hamburg e.V. is a registered network of local businesses located in the Inner Harbour in Hamburg-Harburg, an area that is being redeveloped into a site for innovative companies. In 2005 channel hamburg e.V. had almost 100 members.

Where is it?

Like many urban areas across the EU, the Inner Harbour of the Hamburg-Harburg dockland area suffered from steady industrial decline from the late 1970s onwards. The area had a poor public image, with crime and unemployment rates significantly higher than the Hamburg average.

What is it?

Between 1990 and 1995, a new development plan for the area was drawn up and conversions of old industrial properties began in 1992. By 2005, 80 companies were located in the area, employing 4000 members of staff in high-growth sectors, including the innovative airbus industry.

Channel hamburg e.V., the network of local businesses, oversees infrastructural improvements in the Hamburg-Harburg area, representing the interests of local enterprises in the regeneration of the 500,000m² inner port area and its 40,000m² focal zone '**channel hamburg**'.

The organisation also works to market the area as a prime location for innovative businesses, leading in the new technologies sector in North Germany.

How does it work?

Finding a positive brand for the area

Finding a positive brand for the area has been particularly important in turning this former 'no-go' neighbourhood into a site that is attractive to innovative new businesses and inward investors. One part of the Inner Harbour area is now marketed as '**channel hamburg**', and its slogan 'from ship to chip' reflects both the naval history of the site and its high-tech future.



The branding initiative is led by **channel hamburg e.V.**, a group of local businesses located at the site, which was formed in 2000. **channel hamburg e.V.** works to promote the area as a prime location for innovative businesses through press and public relations work, giving presentations at trade fairs and conferences and producing brochures, magazines and newsletters. The marketing strategy has successfully built on the area's existing mix of old and new economy, its proximity to a technical university, and its unique waterfront character.

Partly as a result of this marketing strategy, knowledge-intensive companies have been attracted to the area, in sectors such as aviation technology and life sciences. Significantly, in 2005, **channel hamburg** became the headquarters for all strategic Airbus suppliers.

Promoting a bottom-up approach

Channel hamburg e.V. is actively involved in the discussions over the regeneration of the 40,000m² 'channel hamburg' site. The association runs networking events, which have forged better communication links between planning departments and enterprises, as well as among entrepreneurs themselves. Networking enables businesses to identify and communicate local needs and promotes the alignment of objectives and resources.

The **channel hamburg** model is grounded in a bottom-up approach; indeed, one of the reasons for the success of **channel hamburg e.V.** is that its members represent the target group themselves – local businesses. Resources are therefore spent more effectively on what local companies feel most supports their needs.

The fact that most of the **channel hamburg** companies have a long term commitment to the local area (for example, some are property developers that have an interest in ensuring that the area is attractive to their tenants) has worked to foster this bottom-up approach.

Would this work in your area?

The **channel hamburg** approach builds on particular local circumstances. For example, it builds on several competitive advantages offered by the location, in particular: its proximity to knowledge resources, such as the Technical University Hamburg-Harburg; the presence of the Airbus industry; and a comparatively good transport infrastructure.

The fact that this initiative is grounded in a bottom-up approach means that it can not be implemented from above by policy makers. However, although policy-makers cannot force private sector-led regeneration initiatives, care must be taken to foster bottom-up approaches like **channel hamburg e.V.** where possible. For instance, the Hamburg-Harburg local authorities now recognise **channel hamburg e.V.** as a key local actor and actively seek dialogue with it on the regeneration and marketing of the area.

There may also be opportunities for public sector agencies to foster bottom-up initiatives such as this by facilitating networking between businesses. In Hamburg-Harburg, networking activities have forged better communication links between planning departments and enterprises, as well as between entrepreneurs themselves, enabling the identification and communication of local needs and promoting the alignment of objectives and resources.

Lessons for policy-makers

- Positive branding can help turn around the fortunes of deprived urban areas and attract inward investors
- Bottom-up approaches work best
- Policy-makers can foster bottom-up approaches by seeking dialogue with local businesses and community groups and by promoting networking

CASE STUDY

Promoting access to markets for businesses in deprived areas

Project: Hidden Art, London

Poor access to markets and supply chains can pose a barrier for all businesses, including innovative businesses and social enterprises. This barrier can be even more acute for people living in deprived areas, which can be relatively isolated from supply chains.

The case study below shows how a **London**-based organisation has promoted access to markets and supply chains for **innovative** businesses in the designer-maker (crafts and design) sector.

About Hidden Art

Who is it?

Hidden Art is a membership organisation that promotes access to markets among designer-makers in London, while offering companies and members of the public access to original design. 60 percent of Hidden Art's clients are women, and 20 percent are from minority ethnic communities.



Where is it?

The Hidden Art Head Office now covers the whole of London, but started in East London where it is still based.

What is it?

Hidden Art promotes business support for designer-makers in London, offering them access to markets through an online platform for exhibiting and selling their work, and enabling an exchange of ideas and networking opportunities. Hidden Art is the trading name of the not-for-profit support organisation Mazorca Projects Ltd.

How does it work?

Access to new markets

Hidden Art's mission is to promote and support designer-makers, enabling them to access new markets. Under the Hidden Art brand, creative entrepreneurs are given opportunities to promote and sell their work globally (wholesale and retail) and get in touch with potential suppliers, manufacturers, other service providers and consumers.

The Hidden Art website, for example, features a Designer-Makers' Directory which showcases its members' work online, as well as providing regular news and interviews and an extensive portal of support information and industry opportunities. In addition, the Hidden Art e-shop, launched in October 2005, sells a wide range of its members' products online. Hidden Art clients also benefit from networking and tailored business support opportunities.

Over the past ten years the benefits to innovative designer-makers in London from Hidden Art have been extensive. The initiative has supported over 1,500 designer-makers to become sustainable enterprises and over 900 women designer-makers have been assisted.

Building confidence

Through a range of showcasing opportunities, Hidden Art also works to build the confidence of its members. Hidden Art's established presence at design events in London and Milan guarantees new designer-makers exposure to international trade customers at reduced or shared stand rates. Many successful designer-makers have launched new products under the Hidden Art brand.

Hidden Art offers an opportunity for designer-makers to exchange ideas and network through its monthly networking events and annual forum. It offers opportunities and equal access for all designer-makers and aims to reach the local and wider communities in which designer-makers work. There is no selection procedure for membership.

Would this work in your area?

One of the striking features of this model is that it is transferable to other areas through **social franchising**. Hidden Art has developed an innovative social franchising approach to roll out its model to other areas, recently setting up a franchise in Cornwall, a region in the south west of the UK.

Franchising is a way of doing business, whereby the franchiser (for example, the owner of a business) licenses tried-and-tested methods to a franchisee. In the private sector, the franchiser usually demands a recurring payment and a percentage of gross profit. Through social franchising, this model has been transferred to the not-for-profit sector/third sector. In the social franchising model,

it is unlikely that the franchiser will demand payment from the franchisee; rather, 'social profit' is seen as more important.

Through Hidden Art, a new social franchisee is initially contracted to run Hidden Art core services, but thereafter can select additional services depending on the needs of local designer-makers. The core services consist of running a local satellite of the Hidden Art website, a membership scheme with a series of benefits, and regular networking and training sessions. Franchisees also benefit from the national and international network and expertise that Hidden Art offers.

Not all areas would be able to run a Hidden Art franchise. A franchise works best if there is a gap in existing business support infrastructure, as well as a well-connected group of local partners to drive the initiative forward. Suitable areas would also require a critical mass of designer-makers, plus the basics of the industry supply chain.

Promoting the innovation potential of businesses by enabling them to sell their products online under a common brand, while also benefiting from networking and tailored business support opportunities, may also be transferable to other sectors.

Lessons for policy-makers

- Promote access to markets and supply chains for businesses in deprived urban areas, using innovative online approaches
- Sector specific initiatives can ensure that business support is better tailored to the particular needs of the client group
- Consider social franchising to transfer successful business support models to other areas

CASE STUDY

Providing business incubation facilities and workspace

Project: The Technology and Innovation Centre, Prague

Finding suitable and available premises can be particularly problematic for entrepreneurs in deprived areas. New business start-ups, including innovative businesses and social enterprises, can find that premises in deprived areas are the wrong size, in the wrong location, or unsuitable for the business activity concerned.

The following case study demonstrates how the provision of workspace and business incubation facilities has fostered **innovation** in **Prague**.

About the Technology and Innovation Centre

What is it?

The Technology and Innovation Centre (TIC) of the Czech Technical University supports the creation and growth of innovative SMEs firms. The TIC operates a business incubator, with an area of approximately 4,000 m² at its disposal. The centre was established in 1991 and was the first of its kind in central and eastern Europe.

The TIC supports the creation and growth of innovative spin-off companies from the Czech Technical University.

In this way, the TIC can be seen as a vital intermediary in the transfer of technology from the Czech Technical University to the world of industry.

Who is it?

The TIC is operated by the Czech Technical University.

Where is it?

The TIC is situated on a former military site in the western part of Prague. The locality is surrounded by large housing estates and has relatively low environmental and housing standards compared to elsewhere in the city.

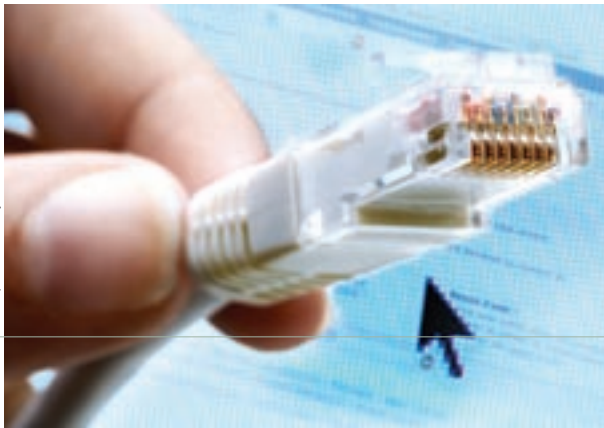
How does it work?

Providing incubator space for small businesses

The 4,000m² business incubator comprises of five main buildings which house offices, classrooms, meeting rooms, storage space and workshops. Incubator units vary in size. Typically, tenants of the incubator leave the premises after three years. At present, there are seven innovative companies operating in the incubator.

The TIC offers the following services to its clients: renting of rooms for business, including offices, workshops and storage space, classrooms and conference halls; business planning services; support with access to finance; offering information, advice and guidance about EU and national programmes; and providing networking opportunities.

The TIC has supported businesses in predominantly technology-orientated companies in the following sectors: civil engineering, mechanical engineering, electrical engineering, transport science, physical engineering and



nuclear science. In the period between 1991 and 2005, the TIC business incubator provided services to 66 SMEs (of which 42 were innovative).

In 2006, a new business incubation facility was opened by the Czech Technical University, with the support of a Swedish company, Ikano s.a. The Science Incubator of the Czech Technical University, as it is called, is operated by the TIC. The new incubator is favourably located in the university campus, hosting nine university spin-offs established by students, graduates and research and development (R&D) staff of the university.

Promoting knowledge transfer between the university and businesses

The Technology and Innovation Centre also supports partnership working between SMEs and the Czech Technical University, helping to facilitate technology transfer partnerships and spin-offs. Students of the Czech Technical University are taught about the incubator and its benefits in their classes, in an attempt to increase awareness among university students of entrepreneurship as a career option. 23 of the companies that have resided in the TIC were established by research workers or graduates of the Czech Technical University.

Through the incubator, resident businesses can make use of the University's specialised laboratories and institutions. Moreover, services related to the protection of intellectual property and industrial rights are offered by the TIC's in-house Patent Centre. In 2004, 66 national and 14 international patent applications were drafted and submitted, supported by the Patent Centre.

Would this work in your area?

The incubation model, which provides a range of services to resident companies, is widely transferable – particularly where the incubator can act as an intermediary between knowledge centres, such as universities, and businesses.

The Technology Innovation Centre has been able to build on local competitive advantages, which may not be available elsewhere, for example the high concentration of research and development facilities and university educated people in Prague, as well as the co-operation of the Czech Technical University in the project.

Lack of interest from universities in creating an intermediary organisation between themselves and the business sphere, and lack of innovative SMEs (as successful business incubators depend on both supply and demand) could be significant barriers to transferability.

Finding a location for the incubator could also pose a challenge to transferability, although the possibility of using empty buildings, such as the military quarters in this example, should be considered.

Lessons for policy-makers

- Business incubation facilities can help innovative start-ups to develop and grow
- Locating business incubators in deprived urban areas can help to stimulate the regeneration of these localities, as well as providing innovative local businesses with access to premises
- Locating business incubators near to knowledge centres, such as universities, can help to encourage knowledge transfer

5. Future of LNet

Changes to funding streams mean that the public sector has ever shrinking resources to tackle urban deprivation, making initiatives such as LNet all the more vital. Our project's aim was to identify and share innovative solutions to common issues and act as a catalyst for a high level exchange among policy makers and practitioners. During the process, we helped to forge links between inspiring individuals working on initiatives which share the common goal of overcoming disadvantage and offer positive and sustainable solutions to the problems faced by urban neighbourhoods in decline.

All project findings will be presented in the LNet Manual, 'Promoting enterprise in deprived urban areas: what works?' which can be accessed from the project website: www.thelearningnetwork.net In this manual, all the best practice policy solutions identified throughout the project will be available in an accessible online format, allowing policy makers and practitioners from across the EU to learn from our work. The manual will provide ideas about what policies and interventions can successfully promote entrepreneurship, innovation and social enterprise in deprived urban areas, and how such interventions can be implemented.

As we evaluate our work at the close of this project, the main conclusion we can draw is that LNet's work has only just begun. This recognition springs from several factors. From the European and national to regional and local levels, economic and social regeneration policies and strategies reflect the centrality of LNet-type approaches in supporting the pursuit of sustainable and positive change in areas of deprivation. Not only does LNet's thematic focus clearly match the priorities set out at the European level for the next programming period, but also its practical working method has demonstrated clear added value in the depth and variety of exchanges it has promoted. LNet's success in mobilising actors at different levels of the policy and practitioner world has also highlighted the pressing need for a continuation of such a project, exploring new themes and innovative practical routes for a sustainable urban development.

6. Glossary

Business support

“Businesses seek support services in a variety of fields, from the development of business plans and management, to legal advice and skills development.”

Accessing timely and appropriate business support can make a huge difference to the process of starting, maintaining and growing a business. This is particularly the case in deprived urban areas, where economic, social and structural barriers hinder the development of a thriving business base. A wide variety of public and private sector organisations, at the national, regional and local levels, are involved in providing such support. These are active both in the mainstream and, increasingly, in more targeted sectors of the business community (for example, support specifically for creative sector businesses or unemployed people).

Business support can cover a variety of issues:

- business planning, strategy and growth
- financial engineering
- sales and marketing
- recruitment and staff management
- leadership and management skills
- ICT and the use of e-commerce
- financial management
- health and safety
- premises and facilities

Deprived urban areas

“Urban deprivation is often synonymous with the steady impoverishment of the population, combining low purchasing power and low consumption, high crime rates, high unemployment, decay of the environment and public infrastructure and a poor standard of local amenities and services.”

Such areas, for which the socio-economic indicators are significantly worse than the average for the cities to which they belong, have such a concentration of disadvantage that they are incapable of attracting or merely maintaining an adequate business fabric, the cornerstone of any economic development. Policies aimed at addressing this issue have evolved over time, ranging from more property-led paradigms to a greater emphasis on partnership and community economic development. In more recent years, the promotion of enterprise by building on local opportunities and developing a more favourable environment for business growth through tax incentives, for instance, has constituted a key priority of most regeneration initiatives in the European, national and local contexts.

Different countries have developed a variety of methods for defining and identifying deprived urban areas, particularly in relation to the allocation of public funds. However, most countries use criteria related to socio-economic conditions, such as average income, unemployment and employment rates, skills and educational attainment, the percentage of population that is from minority ethnic groups and population density.

Enterprise

“An enterprise is considered to be any entity engaged in an economic activity and irrespective of its legal form. This includes, in particular, sole proprietorships and family businesses engaged in craft or other activities, partnerships and associations regularly engaged in an economic activity.”

European Commission

“Positive, flexible and adaptable disposition toward change, seeing it as normal and as an opportunity rather than a problem. To see change this way, an enterprising individual has a security born of self-confidence, and is at ease when dealing with insecurity, risks and the unknown.”

Organisation for Economic Co-operation and Development (OECD) definition of an enterprising person

Micro, SMEs are socially and economically important, since they represent 99% of all enterprises in the EU, provide around 65 million jobs and contribute to entrepreneurship and innovation. The promotion of enterprise has emerged as a critical dimension of local economic development, particularly in deprived areas. Enterprise has become synonymous with positive and innovative change, building on opportunities and strengths rather than focusing on redressing weaknesses. However, although the impact of enterprise on local economic development, especially in deprived areas, has been widely recognised, the potential of such neighbourhoods is still largely untapped. According to recent research by the New Economics Foundation, there is a clearly identifiable ‘enterprise gap’ in more deprived neighbourhoods, with significantly lower levels of small business density in comparison to wealthier areas.^{xiii}

The OECD’s Local Economic and Employment Development (LEED) programme has, in recent years, tried to address this gap by focusing on enterprise in distressed urban neighbourhoods. The programme’s approach to these issues has been to recommend that regional and urban policy include the following objectives:

- building on and encouraging local assets
- sustainable development – actions owned by the community
- globalisation and clustering
- regional governance and cohesion of firms, individuals and administration in the regional community

Entrepreneurship

“Entrepreneurship is understood simply as the act of identifying and seizing new business opportunities.”

OECD

“Entrepreneurship drives innovation, competitiveness, job creation and growth. It allows new innovative ideas to turn into successful ventures in high-tech sectors and can unlock the personal potential of disadvantaged people to create jobs for themselves and find a better place in society.”

European Commission

Entrepreneurship is the practice of starting new businesses. As the majority of new businesses fail, entrepreneurship is often a difficult process. Entrepreneurial activities vary greatly according to the type of business being started, and the scale of the enterprise, which can range from solo projects to major undertakings creating many job opportunities. Most entrepreneurial activities however have in common the ability and willingness of the entrepreneur to commit to:

- organisation and management of production (e.g. arranging the balance between capital, labour and land)
- innovation in process and product
- risk and pursuit of opportunities

Governance

“The term governance can be used to describe the social, political, administrative and private processes and systems by which a society, community or organisation operates.”

In economic and social development terms, governance is often referred to as a range of actors working together in shaping and delivering urban government, public policy and urban services. The management of cities involves a range of stakeholders such as elected politicians, local communities, businesses, non-governmental organisations and government bodies. The specific characteristics of city governance will vary according to different institutional and cultural contexts.

Broadly, the principles of good governance are openness, participation and accountability. This framework follows the basic principle of engaging the public in every process of policy making. This ensures that the process is open and that the channels and methods of scrutiny are available in the public domain.

The term partnership is increasingly used to describe the operational arrangements of bodies working together to provide urban services. Partnership working can allow for the effective delivery of activities within the constraints of limited resources, and is an important component in understanding the shift from government to governance.

Inner city

“ ... a strategic location at the core of major urban areas, transportation networks and communication networks that provide potent advantages in this increasingly just-in-time economy.”

Michael Porter 1995

The most used definition of inner city comes from Professor Michael Porter, who in the 1990s contributed to a new impetus in research in urban areas by recognising the commercial potential of the inner city. Porter's notion of the inner city incorporated the standard geographical definition as a starting point, but for the purpose of examining the area's market potential the 'inner city' had to exhibit the following competitive advantages, such as an underserved local market with substantial purchasing power that can support many more retail and service businesses.

Despite their potential, inner cities often face social, economic, physical and environmental challenges and are characterised by above average concentrations of unemployment, low incomes, lone parents and sick and disabled people, alongside poor quality and deteriorating housing conditions.

While the opportunities that inner cities represent must be recognised, it is equally important to acknowledge the challenges and barriers to enterprise promotion which need to be overcome.



Innovation

“Innovation is the introduction of new or improved processes, products or services based on new scientific or technical knowledge and/or organisational know-how.”

OECD

“Innovation is the successful exploitation of new ideas.”

UK Department for Trade and Industry

Innovation can be defined as the process of making improvements by introducing something new, such as an idea or product. In the business world, innovation can be seen as the successful exploitation of new ideas in a commercial way. Here the term can refer to both new products and services and new processes, be they innovative to the market or just new to the firm. It can also refer to new ways of marketing existing products, and accessing new markets, either domestically or abroad.

Importantly, businesses in any sector can be innovative, not just high-tech firms. Innovation demands an instinctive capacity to understand and respond to market needs,

thinking ‘outside the box’ and developing new ideas. It is also a process of constant transformation to ensure that competitive advantage is used to its full potential and that the business evolves with the local market place.

Like entrepreneurship, innovation is recognised as one of the key drivers of economic growth in Europe. Deprived urban areas are less likely than other areas to attract and foster an innovative business base. This has an adverse impact on their prosperity and economic growth.

The Innovation Scoreboard is the European Commission’s benchmarking tool for innovation. It defines innovation in EU Member States according to the following indicators:

- Human resources – for example, the proportion of the population who are science and engineering graduates, or who are employed in high-tech manufacturing and services
- Knowledge creation– for example, business expenditure on research and development as a percentage of Gross Value Added and numbers of patent applications per 1000 inhabitants
- Transmission and application of knowledge – for example, the proportion of SMEs innovating in-house, or those involved in innovation co-operation activities (such as knowledge transfer agreements with universities)
- Innovation market outputs – for example, number of sales of ‘new to market’ products

Investment

“The term investment refers to the financial resources that the private or public sector make available to businesses, social enterprises, community or voluntary groups for the delivery of programmes to encourage a more thriving business base in deprived urban areas.”

Deprived urban areas face significant barriers in securing investment.

Traditional public sector investment in regeneration has been increasingly constrained, and in many countries public agencies have turned to the private sector in order to maximise investment impact in deprived urban areas. At the same time, the private sector has started recognising the importance of investing in inner city areas where there is considerable market potential, and companies have manifested new interest in participating in the improvement of the local economic environment – because it impacts directly on their performance.

Entrepreneurs living in deprived areas also face barriers to investment. For example, they may not have adequate collateral or credit histories to secure loans for business activity. Innovative models of financial support, such as the Grameen Bank, developed in Bangladesh, can help to overcome these barriers. This system provides credit to the most disadvantaged groups, creating a banking system based not on the need for collateral but on mutual trust, accountability, participation and creativity.



Regeneration

“Regeneration can be defined as the upgrading of an area in economic, social and environmental decline through a balanced, multi-sectoral approach. The aim of regeneration is to promote the renewal and rebirth of neighbourhoods, creating better places for people to live and work in.”

In recent years, there has been a shift away from area-based physical regeneration to a more multi-sectoral, integrated approach aiming at building on the competitive advantage of deprived areas and helping them to become dynamic cores of the wider urban fabric. This shift has been translated in resources terms as a shift away from direct assistance to declining industrial sectors, to programmes supporting the diversification of the economic base, investments in human capital and the creation of and support to new enterprises.

Economic and social regeneration is increasingly seen as dependent upon achieving the full potential of and tapping into resources which are often hidden or under-utilised. Successful regeneration is also seen as one which achieves the right balance between economic competitiveness, environmental sustainability and social equity, reflecting the priorities set by the Lisbon Strategy, the European Union framework for sustainable economic growth and competitiveness.

Skills

“The term ‘skills’ refers to the ability to apply knowledge effectively and readily in performance, and the ability to transform knowledge into action.”

The shift towards a knowledge-based economy and increased flexibility in the labour market means that there is an increased importance placed on individuals acquiring new skills throughout their lives.

At the local level, development agencies are concerned with skills development in line with the needs of their local economies. Skills enhancement can lead to re-entry into the labour market, a vital component of social inclusion and a socially cohesive city. It is also an incisive component of city competitiveness in particular as companies increasingly rely on a highly skilled and creative workforce.

Urban development agencies are concerned with a range of skills development issues such as basic skills development, high level skills and sector skills development. At the city region level this contributes to addressing issues of skills shortages and skills gaps. Related to this project are two more specific areas – the development of entrepreneurial skills and the development of the skill sets of regeneration professionals.

Lifelong learning became a focus of European policy in 2000 with the European Council Meeting held in Lisbon; it is also a main point within the Organisation for Economic Cooperation and Development (OECD) agenda. The European Social Fund has been a vital component of skills development and lifelong learning in many European cities over the past 20 years.

Social enterprise

“Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy.”

UK Department for Trade and Industry

A social enterprise is a business with primarily social objectives and aims, as well as social responsibility. While still remaining a business, a social enterprise has the specific feature of reinvesting its profit in the business or in the local community, thus enabling it to deliver on social objectives. Social enterprises work to achieve social aims, such as job creation, training or the provision of local services, based on ethical values such as building the skills of local communities. These objectives are often seen to result in ‘social profit’, or benefits for society.

The rationale of social enterprises, to use business to achieve public good, is thought to have potential to help create a strong, sustainable and socially inclusive economy. Social enterprises are active in promoting quality employment and strengthening local social capital. Many social enterprises have enabled individuals and communities to work together towards regenerating their local neighbourhoods.

Social enterprises can take a variety of forms, often leading to confusion with regards to the definition of the term. These forms differ in terms of legal status and the relation between the commercial and the social aspect of the business, which can range from voluntary, co-operative, mutual or companies limited by guarantee.



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