



ECOPOL Workshop

“European best practices and policy tools supporting the internationalisation of eco-innovative SMEs”*

Centro Científico e Cultural de Macau

Lisbon, 16th April, 2012

BACKGROUND DOCUMENT

***ECOPOL Project, Workpackage 6 - “Exploring and analysing the potential of international cooperation in diffusing environmental technologies”**



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- B. [The European Eco-innovative SMEs challenges on internationalisation: a synthesis of what is known about eco-innovative SMEs barriers and opportunities on internationalisation](#) (pag.4)

This chapter is made out of public references (papers, reports, indicators, etc) that provide a solid description of the state of the art of the internationalisation of European (eco-innovative) SMES.

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A. Introduction (what and why)

The Workshop on “**European best practices and policy tools supporting the internationalisation of eco-innovative SMEs**”¹ is organised in the framework of the [ECOPOL Project: Public innovation partnership for better policies and instruments in support of Eco-Innovation](#)” and of its Workpackage 6.

Workpackage 6 is devoted to analysing European best practices boosting the internationalisation of eco-innovative SMEs, identifying internationalisation policy gaps and making recommendations for the deployment of improved eco-innovation internationalisation policies, while putting a set of pilot actions in motion.

Workshop’s goals:

- To understand the main barriers and drivers for the internationalisation of eco-innovative SMEs
- To learn about the collaborative experience of European cleantech clusters in promoting cooperation and internationalisation of eco-innovative companies
- To learn about innovative tools in support of internationalisation of SMEs (E.g. internationalisation vouchers)
- To analyze potential new markets for internationalisation (Brazil, India, and/or China, Russia).
- To reflect upon the effectiveness of best practices (BPs) presented by partners in driving internationalisation of eco-innovative SMEs and the respective critical conditions for success (needs identified/policy context);
- To identify potential solutions for policy gaps encountered through knowledge transfer between partners
- To produce a set of minimum criteria for the successful implementation of policies/instruments in support of internationalisation

Instrument for previous reflection: Background Document

The Background Document is an instrument that will be jointly prepared between partner countries, summarizing information on each country’s internationalisation support instruments and on the strengths and shortcomings of each country’s internationalisation support framework.

This previous work will drive countries to make an in-depth analysis of their national framework of support to the internationalisation of eco-innovative SMEs, their policy gaps and instruments’ shortcomings, and will help them identify policy examples in other countries that could potentially be adapted to their country, thus helping partners in the task of developing their recommendation papers on “better internationalisation policy in practice for eco-innovative SMEs”.

¹ www.ecopol-project.eu

B. The European Eco-innovative SMEs challenges on internationalisation: a synthesis of what is known about eco-innovative SMEs needs and opportunities of internationalization.

B.1 What are the economic advantages of internationalisation?

The debate on whether SMEs' internationalisation efforts should or not be pursued as an objective of public policies depends on the evaluation of the economic impact of such activities.

DG Enterprise and Industry's study on the Internationalisation of European SME's² concludes that there are economic welfare gains from increasing the number of internationally active SMEs, having identified a strong correlation between SMEs being internationally active and better than average business performance scores. The study, based on an extensive survey, identifies the following results:

- Internationally active SMEs reported a much higher employment growth from 2007 to 2008 than other SMEs - either being active in one of the internationalisation modes (exports or imports) or having concrete plans to become active, international SMEs report an employment growth of 7% versus only 1% for SMEs without any actual or concrete plans for international activities.
- Secondly, the development of turnover in 2008 compared to 2007 shows a positive correlation between being internationally active and high turnover growth. The effect is especially large for: SMEs that invest abroad; SMEs that are subcontractors of a foreign enterprise; SMEs that have foreign subcontractors.
- The survey results confirm the strong correlation between internationalisation and innovation.

B.2 What is the starting point?

The Commission's survey results in the following major findings, which illustrate the internationalisation process status quo in the EU:

- A considerable number of European SMEs are engaged in international activities, yet only a small percentage is involved in internationalisation beyond the Internal Market;
- The two most common modes of internationalisation are exports and imports;
- The larger the company, the more it tends to internationalize. This applies to any single mode of internationalisation;
- The smaller the country, the more its SMEs are internationalized, but the SME's proximity to a national border does not have much effect on its level of internationalisation;
- There is a negative correlation between the size of the SME's home country population and its level of international activity. Countries such as Estonia, Denmark, Sweden, the Czech Republic and Slovenia have a much higher percentage of exporters than the EU average of 25%. Germany, France and UK score below average;

² "Internationalisation of European SMEs – Final Report", 2010, Directorate-General for Enterprise and Industry

- SMEs located close to a border show much higher activity rates with their cross border regions but this is not followed by being more internationally active in general;
- Trade, manufacturing, transport and communication and research are the most internationalized sectors. The highest percentage of internationalized SMEs is found in wholesale trade, mining, manufacturing and sale of motor vehicles;
- Exporting and importing activities increase in intensity by age of enterprise The percentages of SMEs that are exporting gradually increases from just over 15% for enterprises up to 4 years of age to nearly 30% for enterprises that have existed for 25 years or more;
- Most often SMEs start international activities by importing;
- Not many of the internationally inactive SMEs are planning to start international activities in the foreseeable future;
- Partner countries are mostly other EU countries. Except for imports from China, relations with BRIC countries are generally underdeveloped;
- Companies involved in E-commerce are more internationally active.

This study analyzed 26 sectors. Although there are no specific references for “cleantech” or “eco” activities, there is no reason to consider the results for these specific activities should differ significantly from the observations in other SMEs behavior.

B.3 What barriers should SMEs expect to encounter when pursuing the internationalisation of their business?

The Commission’s survey concludes that the most important barriers to internationalisation, as reported by SMEs, are:

- **Internal barriers:** price of their own product or service and the high cost of internationalisation;
- **External barriers:** lack of capital, lack of adequate information, and lack of adequate public support and the costs of or difficulties with paperwork associated with transport. Lack of capital and lack of adequate public support score even higher with reference to EU-EEA markets than with reference to third markets. This might be related to the fact that generally somewhat larger and more experienced SMEs are active in third markets. Both barriers are more important the smaller the SME is.

The OECD study identifies the following to be the major barriers for the internationalisation of SMEs:

Table 1. Barriers ranked by SMEs using the top ten ranking method

Rank – Weighted factor	Description of barrier
1	Shortage of working capital to finance exports
2	Identifying foreign business opportunities
3	Limited information to locate/analyse markets
4	Inability to contact potential overseas customers
5	Obtaining reliable foreign representation
6	Lack of managerial time to deal with internationalisation
7	Inadequate quantity of and/or untrained personnel for internationalisation
8	Difficulty in matching competitors' prices
9	Lack of home government assistance/incentives
10	Excessive transportation costs

Source: OECD-APEC 2007

Table 2. Barriers ranked by Member Economies using the top ten ranking method

Rank – Weighted factor	Description of barrier
1	Inadequate quantity of and/or untrained personnel for internationalisation
2	Shortage of working capital to finance exports
3	Limited information to locate/analyse markets
4	Identifying foreign business opportunities
5	Lack of managerial time to deal with internationalisation
6	Inability to contact potential overseas customers
7	Developing new products for foreign markets
8	Unfamiliar foreign business practices
9	Unfamiliar exporting procedures/paperwork
10	Meeting export product quality/standards/ specifications.

Source: OECD-APEC 2007

Which, on a simplified approach, is summarized as:

1. Shortage of **working capital** to finance exports;
2. **Identifying foreign business opportunities**;
3. **Limited information to locate/analyze markets**;
4. **Inability to contact potential overseas customers**; and
5. **Lack of managerial time, skills and knowledge**.

On a different report to DG Enterprise and Industry on “Supporting the Internationalisation of SME’s” (December 2007), the barriers are identified as:

1. **Insufficient managerial time and/or skills** required for internationalisation;
2. **Lack of financial resources**;
3. **Lack of knowledge** of foreign markets, mostly consequence of the previous two;

B.4 Link between innovation and internationalisation

The results of the EC's survey confirm that internationally active firms introduce product/service and process innovations more often than non-internationally active firms. Almost half of the internationally active firms introduced new products or services in the past three years (overall average only 32%) and in the same period almost one third introduced process innovations (overall average 22%). 60% of the internationally active SMEs that introduced new products or services developed these new products or services by themselves.

It is confirmed that a firm's new product or service development may both be necessary to enter foreign markets as well as be a consequence of a firm's foreign market activities. In particular foreign investors need both innovations to build competitive advantage in foreign markets and innovate as a consequence of their involvement in foreign markets.

Interestingly, the most frequently mentioned reason among internationally active SMEs for developing products or services themselves is that this is a consequence of competition from foreign enterprises on the enterprise's home market.

B.5 The relationship between innovation and internationalisation at the firm level³

The INNOGRIPS draft report finds that the innovation activities of firms drive their internationalisation, whereas export activities have not such a direct effect on innovation. From this, the report concludes that **barriers to innovation act also as barriers to internationalisation**.

Other relevant main findings are:

- **Innovative companies are more likely to export, have on average higher export shares, higher productivity and turnover growth:**

- o Process innovation is most important in industries with low innovation-intensity. In these industries, competition is more strongly based on prices rather than product quality.

On the contrary, product innovation strongly increases competitiveness in sectors where competition is based on product quality.

- o Continuous R&D is very important for exporting in high tech sectors in frontier countries. It is important to steadily push the company's technology forward to remain competitive.

- o Appropriability is highly important for exporting in industries with high innovation intensity in countries close to the technological frontier, but decreasing with decreasing innovation intensity (sector groups) and increasing distance to the technological frontier (country groups).

Innovative companies in the highly innovative sectors can only benefit from exporting their innovations when they are able to protect their technology advantage from competitors through industrial property rights (IPRs).

³ Findings reported on sections B.5 and B.6 are taken from the draft report on "Barriers to growth and internationalisation of EU's innovative companies – Main results", Pro Inno Europe – Innogrips (2011).

- **Exporting tends to have positive effects on innovation:**

It is inferred that additional financial resources resulting from exporting activities are mainly directed to be invested in new innovation activities.

- **Exporting innovators are more productive and show better economic performance than non-exporters.**

Exporting improves labor productivity growth mainly in highly innovation-intensive sectors in technologically more advanced countries and in low innovation-intensive sectors in catching-up countries.

- **The joint effects of exporting and innovation** on turnover growth and therefore also productivity growth, are positive for industries with high innovation intensity in technologically advanced countries.

This indicates that companies that are active in these sectors have to internationalize their economic activities to reap the benefits from their innovation efforts since domestic markets tend to be too small and niche. This result claims for supporting innovative companies in these sectors to start exporting.

B.6 Barriers to innovation and internationalisation: Implications for EU Policy – Some tentative conclusions:

Financial constraints:

As regards financial constraints, it is considered that the EU level has some significant policy tools at hands, both in terms of funding and in terms of regulatory framework conditions.

It is pointed out, nevertheless, that what seems to be lacking so far in direct funding is an integrated perspective on innovation and internationalisation. The report's empirical results indicate that pursuing both activities at the same time financially constrains firms. It suggests the EC to explicitly acknowledge twinning innovation and internationalisation activities in funding criteria, in particular for independent SMEs.

Skills:

It can be expected that in most of the advanced countries, human resources for innovation (and hence exports) will be one of the core bottlenecks to reach the EU2020 objectives.

One of the service gaps identified in the one-stop shop network for SME advice, Enterprise Europe Network, is that it does not provide coaching in terms of skills and human resources.

Fast-growing SMEs have particularly high recruitment needs relative to the size of their existing workforce, implying substantial administrative costs and time spent trying to find appropriate candidates. It is suggested that possible areas of future intervention could be skill planning and recruitment of highly qualified tertiary graduates, an area where SMEs are disadvantaged in comparison with the attractive opportunities large firms can offer in terms of training programmes. Internationalized and innovative firms could get special support.

Higher quality vocational education geared to labor market needs could become a clearer policy focus by establishing Europe-wide benchmarks on vocational education and training.

Industrial Property Rights:

It is argued that there is urgency for reforming the European IPR system foreseeing a double gain:

First, it will increase incentives to innovate and make planned innovations possible due to easier external venture capital financing (which concerns a small, but fast growing group of firms). Both will lead to improved export performance which is particularly important for Southern European countries and for the macro-economic balance of the Euro Area.

Second, IPR reforms are considered a “cheap” way to spur growth in times of budgetary consolidation. Framing the IPR issue as ultimately influencing macro-economic imbalances, export and growth performance in times of consolidation may win increased political impetus for reform.

B.7 How is public support to internationalisation activities perceived by SMEs? What public support measures are available?

According to the Commission’s study, SMEs are generally not well aware of the existence of public support programmes for internationalisation that could be used by their firm. The percentages that are aware range from 15% for micro enterprises to 27% for medium sized enterprises, and from only 10% for enterprises that are not internationally active to 22% for SMEs with international activities.

Additionally, only a small number of the SMEs actually use public support measures. Financial support is, in 2009, used more by the larger SMEs: micro 10%, small 13% and medium-sized 16% of enterprises with international activities. Non-financial support is used more by the smallest firms: micro 10%, small 8% and medium-sized enterprises 6%.

OECD’s study identifies the **major types of support** for the internationalisation process of SMEs:

- **Financing support** - Available support takes a variety of forms, including export credit guarantees, pre-shipment financing and working capital augmenting facilities. These measures are mainly medium and longer term export credits (over two years) rather than shorter term credits (under two years), which are not allowed amongst EU member states. They are also aimed at complementing the facilities available through normal market channels, including venture capital funding and through development financing provided by such institutions as the World Bank/IFC, European Investment Funds, etc.
- **Informational and contact barriers** - A range of support programmes are also available to tackle critical SME internationalisation barriers such as identifying foreign business opportunities, locating or analyzing markets, and contacting potential overseas customers and partners.
- **Managerial Capacity Barriers** - Support programmes for addressing internationalisation barriers related with SMEs’ limited managerial skills and knowledge are also identified in several countries. Examples of such programmes include the 18-month export coaching course offered by UbiFrance; the Export Academy provided by Czech Republic; the 6-month Global Company Development Program offered by the Scottish Enterprise and the export managers’ forum available to Greek SMEs.
- **Generic proactive measures to stimulate SME internationalisation** – The study identifies some support programmes that stimulate internationalisation processes: Brazil’s assistance program to improve the technological capabilities of export-oriented SMEs and UKTI’s work with

innovative SMEs to boost the latter's R&D output and identify adaptations that might enhance product suitability for new overseas markets. The support for developing alliances and networks by Czech, French and Spanish agencies also seems to reflect the observed importance of network and supply chain links and social ties in stimulating SME internationalisation. Australia's Tradesmart program of assistance for export innovation in regional areas is also a good example, with exporter numbers reportedly growing at triple the rate of their metropolitan counterparts.

B.8 What about eco-innovative companies? What are the specific findings as to their internationalisation potential and opportunities?

Even though the most recent document on the sector dates back to 1999 ("The EU Eco-Industry's export potential", it already illustrated the huge potential involved:

- Estimates of the existing global market for environmental goods and services ranged between 330 and 410 billion Euro, with OECD countries accounting for approximately 90% of the total global market;
- Approximately 50% of the global market value related to the provision of environmental services. Equipment and resource management activities (including water utilities) each accounted for approximately a quarter of world environmental markets.
- Split by environmental media, the two largest sub-sectors of the global environmental industry were waste management and wastewater treatment, which together accounted for approximately 80% of the market value.

The 2010 Eco-Innovation Observatory Report confirms the importance of eco-innovative activities to the international competitiveness of companies, namely in terms of: the ability to attract and retain customers (37%), improved shareholder value (34%) and increased profits (31%).

Additionally, the Report confirms that **emerging economies** are increasingly aware of opportunities in the eco-innovative field, with studies revealing that business in Latin America, Africa and the Asia Pacific region is more concerned about biodiversity losses as a threat to their business growth potentials than their European and Northern American competitors. Singapore, Taiwan, South Korea, Malaysia, India and Chile now offer general capabilities for sustainability innovation that can be compared with OECD countries. Studies indicate that these countries are quite active in exporting sustainability relevant technologies, though based on a domestic knowledge base that is still below average, which presents opportunities for EU based companies. Evidence indicates that emerging economies are actively addressing the business opportunities of resource efficiency and will soon become strong competitors on these markets.

C. Existing European policy tools in support of internationalisation of eco-innovative SMEs: success conditions and identified bottlenecks or shortcomings.

C.1 FINLAND

The **VIGO acceleration programme** is designed for dynamic start-ups with the potential for global growth. The backbone of the programme is formed by the Vigo Accelerators, carefully selected independent companies run by internationally proven entrepreneurs and executives. These Accelerators help the best and the brightest start-ups to grow faster, smarter, and safer in the global market. The Accelerators are not consultants, but co-entrepreneurs who invest in the companies they work with to guarantee common goals and a dedicated development effort.

CleatechInvest is a private equity fund management company focusing on cleantech. The Clean Future Fund is an early stage venture capital fund focusing on cleantech and it has been selected as the designated cleantech accelerator by the Finnish government, providing streamlined access to government grants for portfolio companies. Total funding for target companies is typically 1-2 million euros.

The **Finnish Environmental Cluster for China (FECC)** has been established to promote the business of Finnish environmental and energy companies and the visibility of Finnish knowhow in China. FECC assists companies involved throughout the marketing/bidding process, starting from export strategies to the signing of commercial agreements. FECC can also help companies through the entire establishment process, starting from strategy up to the setting up of an office or production plant.

A **Business Export Partnership** has been set up by Finnpro, a large Finnish umbrella organisation, and the Regional Centres for Economic Development, Transport and the Environment. Partner groups are co-operation projects involving 4-6 companies with the common aim of establishing a sustainable business in a foreign market. As well as the companies learning from each other, Finnpro provides an experienced export manager to support the internationalisation process and find a cost-effective way to enter new markets.

Finnpro is also involved in the management of the **CLEANTECH FINLAND network**, an umbrella organisation for the best Finnish cleantech companies. It promotes Finnish cleantech to investors and stakeholders through Finnpro's 40 offices around the world. CLEANTECH FINLAND is helping companies expand their business abroad rapidly; this is expected to be worth 1.8 billion € by 2013, up from 900 million in 2010.

The **Cleantech Venture Day** has been organised by Lahti Science and Business Park since 2005 to bring together technology developers and investors from all over the world. The aim is to provide a platform for the best Nordic cleantech companies to meet and make deals with venture capitalists and financiers. It also offers an opportunity for utility providers, companies and cleantech clusters to exchange best practices.

Internationalisation support policy context for “cleantech” SMEs:

The total volume of Finnish cleantech business is 18 billion euros (2010), with an annual growth of almost 10 %. There are over 2200 cleantech companies in Finland, 90 % of which are SME’s.

Because of the limited size of domestic market, growth of the fast-growing cleantech companies comes mainly from exports, especially to developing markets.

Major identified potholes for supporting growth of the Finnish cleantech industry are: a) Lack of coordination between public agencies; b) Lack of country-specific strategies; c) Small amount of innovative start-ups and lack of their fast growth orientation; d) Funding for high growth potential companies, as well as for pilot scale and reference plants; e) Lack of long-term venture capital when transferring from product development to production and marketing.

In order to counter these major potholes, the present Finnish Government Programme highlighted the following targets for supporting internationalisation of SME’s: Increasing exports, enhancing domestic added value and creating value. These targets will be accomplished by a series of policy measures, namely:

- The business subsidies will be targeted more clearly at SMEs, supporting the internationalisation of high growth potential companies and increasing exports.
- Opportunities for risk-taking in export crediting will be increased. Export promotion measures will be increased, especially in developing markets.
- Country and market specific strategies for internationalisation and export will be developed.
- Early stage venture capital investment opportunities for high growth potential companies will be developed.

Gap analysis on the internationalisation support system: FINLAND

		Finland's BPs				
Internationalisation Framework		Vigo	Cleantech Finland	FECC	Business Export Partnership	CVD
Policy makers	Positive discrimination via selection, financial incentives	x				
	Information/raising awareness		x	x		x
	identifying needs			x		
	Monitoring/evaluation					
Eco-Innovators (SMEs)	Developing internal resources	x			x	
	Developing external resources/networks	x		x	x	x
	Demonstrating Technologies/ solutions					
	Market: knowing, entering			x	x	x
	Setting up of businesses			x	x	

Main focus of policy instruments: Most of the instruments identified focus on raising awareness on public support instruments for internationalisation, on developing external resources/stimulating networking, and on international marketing of Finland's eco-innovative industries.

The **main internationalisation bottlenecks** the instruments are trying to overcome are on the level of: a) lack of funding, namely on the form of long-term venture capital when transferring from product development to production and marketing; b) lack of contacts of potential business partners and c) lack SMEs critical mass in international promotion, i.e., not enough coordination and insufficient collective approaches when trying to access new markets.

The **main gaps on the internationalisation support system** are found on the levels of: 1. Development of internal skills on internationalisation (e.g. attitude, level of ambition, expertise), 2. Demonstrating technologies (e.g. funding for pilot scale / reference plants); 3. Coordination between public agencies 4. Clustering; value networks of the companies to go into the international market in the first place. 5. Public funding, credit for exports.

Which policy instruments have a greater impact on the internationalisation of eco-innovative SMEs and why?

The instruments support each other and answer to the different bottlenecks. CTF doesn't help much small eco-innovative companies (it is mainly a general brand-building instrument); FECC & BEP act most concretely on target markets; Vigo concretely supports the first steps of young companies; CVD brings companies and investors together.

In general we may conclude that, for its targeted and tailored action, FECC & BEP are the instruments that show more clear results in terms of successfully supporting the internationalisation of companies, although only FECC is focused specifically on eco-innovative companies.

Which best practices (BP's) identified in other partner countries have the potential to be adapted and implemented to cover for bottlenecks?

No specific matching instruments were identified.

C.2 GERMANY

The **International Climate Initiative** has been providing € 120m of funding from the auctioning of emission allowances per year for climate protection in developing and newly industrialised countries as well as countries in transition since 2008. It has already helped to launch more than 240 projects under its broad goals of contributing towards emissions reductions and easing adaptation to climate change. Also open to enterprises, it can help SMEs break into foreign markets and transfer eco-innovative technologies and approaches that will have a wide impact.

The **Recycling and Efficiency Technologies Export Initiative** (RETech), set up by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, supports the international activities of the German recycling and waste management industry. An online portal offers information on foreign markets, funding possibilities and business contacts. It also provides information on the latest German recycling and waste technologies and helps foreign business partners connect with German companies.

It is being accompanied by the Gateway for Environmental Technologies - **Cleaner Production Germany** providing comprehensive information about German environmental technologies and environmental services in order to strengthen international environmental and development cooperation and promote the transfer of environmental technologies.

In 2001, the Federal Ministry of Economics and Technology launched **iXPOS web portal** to guide SMEs through the large variety of initiatives designed to promote their trade abroad. It provides comprehensive information on regional, national and European funding programmes, as well as information on foreign markets with regard to specific industries including environmental technologies or the energy sector. In short, iXPOS helps German companies find the right person and the right information to take their products and services abroad.

Launched in 2007, the **Energy Efficiency Export Initiative** supports foreign parties to establish contacts with German companies and experts to take energy efficiency know-how and experience home to their countries. It organises foreign trade missions and fairs to give SMEs a framework to promote their business. The initiative also provides foreign companies, experts and opinion leaders with a number of services, including fact finding missions to Germany, information events in Germany and a database with contact and business information on energy-efficient products and services offered by German companies.

As an example for the **numerous regional programmes**:

In Germany's capital region Berlin-Brandenburg, the business promotion bank in the federal state of Brandenburg provides funding within the framework of the so-called **M4-Directive** of the Ministry of Economics and European Affairs, amongst others, to SMEs aiming at foreign markets by supporting activities such as participation in international trade fairs, business trips to target countries or market access projects or the adaptation of products with regard to requirements of foreign markets. Depending on the measure selected the programme provides grants covering from 50% up to 90% of eligible costs.

Similar activities are being supported by the "**Access to new markets**" programme in Berlin and other *Länder*.

Internationalisation support policy context for “cleantech” SMEs:

- Cleantech* is a key technology: 8 % of GDP (2007), estimation: 14 % (2020)
- Germany is the first exporting country for environmental goods since 2005. Market share (2009): 16 % (USA:14 %, China:12 %, Japan: 8 %)
- Production of environmental goods: 76 billion € (2008), 2 Million employees (2008)
- Environmental economy: about 94% of the involved companies have less than 250 employees

Policy priorities of the German Government for the sector include:

- Strengthening Germany’s leading position as an exporting country of environmental goods and technologies
- Creating 300.000 new jobs in Cleantech until 2020
- Add increased-value to exports by continuing to promote entrepreneurial investment in R&D and innovation, notably in services.
- Contribute to the use of GreenTech, better resource & energy efficiency, reduction of GHG emissions worldwide

In terms of the internationalisation support policy framework, **strengths** of the system are found on the variety of supporting schemes available. There are a lot of regional, national, European funding programmes and other support initiatives.

Nevertheless, as **weaknesses** Germany points out that a) most of the support programmes offer no funding for companies, b) there is the need for development of internal skills in internationalisation process management, c) and it is considered that the funding landscape is too large making it difficult to monitor SMEs in terms of the impact of the internationalisation support measures.

Gap analysis on the internationalisation support system: GERMANY

		Germany's BPs				
Internationalisation Framework		Access to new Markets	ICI	RETech	IXPOS-web portal on exports	Energy Efficiency Export Initiative
Policy makers	Positive discrimination via selection, financial incentives		x	x		
	Information/raising awareness		x	x	x	x
	identifying needs	x				
	Monitoring/evaluation		x			x
Eco-Innovators (SMEs)	Developing internal resources					
	Developing external resources/networks	x	x	x	x	x
	Demonstrating Technologies/solutions		x			
	Market: knowing, entering	x	x	x	x	x
	Setting up of businesses		x			

Main focus of policy instruments: Most of the instruments identified focus on raising awareness on public support instruments for internationalisation (webportals), on developing external resources, stimulating networking, and on international marketing of German eco-innovative industries.

The **main internationalisation bottlenecks** the instruments are trying to overcome are; a) lack of knowledge/information on opportunity markets; b) lack of contacts of potential business partners and; c) lack of SMEs clustering for gaining critical mass in international promotion, i.e., not enough coordination and insufficient collective approaches when trying to access new markets.

The **main gaps on the internationalisation support system** are found on the levels of: 1) development of internal skills on internationalisation; 2) demonstrating technologies and; 3) setting up of businesses (take up of concrete co-operations often need further qualification/support).

Which policy instruments have a greater impact on the internationalisation of eco-innovative SMEs and why?

It is considered that any internationalisation support instrument that discriminates positively eco-innovative SMEs has, potentially, a greater impact on the internationalisation level of these companies. ICI, RETech and Energy Efficiency Export Initiative are directly addressing eco-innovative SMEs. Additionally it is considered that any program that provides support in terms of individual consultancy on a company's internationalisation process leads to higher impact and positive results.

Which BPs have a synergetic effect in diffusing eco-innovative technologies in external markets? Please explain why.

ICI, for promoting climate protection projects in emerging economies, RETech for promoting business partnerships of eco-innovative SMEs in the field of recycling and material efficiency with emerging

economies and Energy Efficiency Export Initiative for marketing German industrie's solutions towards new markets, have a greater impact on raising awareness on eco-innovation and in diffusing eco-innovative technologies in external markets.

Which BPs identified in other partner countries have the potential to be adapted and implemented to cover for bottlenecks?

Both instruments “**SME's Qualification and Internationalisation Incentive System**” (E6PT2) and “**INOV-Export**” (E6PT6) ran by AICEP - Portuguese Agency for International Trade and Investment from 2007-2013 seems to be very promising.

SMEs, amongst them eco-innovators, often lack comprehensive knowledge and **skills** to tackle international chances and challenges to their business. Offering individual support usually counts for better results as it can focus more on the specific background and needs of the SME. Also the Swedish “**Steps to Export**”-programme could be of interest in that context.

Globalisation increasingly puts pressure onto companies and forces them to take international trends, partners and markets into account to develop or safeguard their competitiveness across borders. Accordingly, early awareness as well as qualification at the level of start-ups (if not even earlier in education) needs to be taken into account too to respond to the challenges but also chances of globalisation. Especially eco-innovative products and services find an international market and companies/start-ups should thus focus as early as possible on requirements needed to run a successful business in an international context. Therefore, **acceleration programmes** such as the Finnish example are of interest to check possibilities to integrate internationalisation knowledge/qualification at an early stage in business formation or growth.

Experience on qualification and incentives could be combined with the lessons learnt on **vouchers schemes** (e.g. in the European projects like GreenConServe). Not only is the idea of using EU structural funds as source for regional funding schemes of currently high interest with regard to the preparation of European regions for the future ERDF and ESF funding period as of 2014. Moreover, approaches going beyond the idea of supporting innovation via **vouchers** - by now in many countries quite well known and tested – as to either combine innovation with internationalisation (e.g. by allowing the adaptation of products to new markets also under voucher schemes) or transferring the voucher idea to internationalisation can be of great interest. Accordingly, the Swedish experience could be of help to evaluate the scheme with regard to regional/national background in Germany.

Last but not least, advancing network or cluster services by learning from foreign approaches such as the **Finnish Business Export Partnerships** or **CleanTech** network could be of great value. Also in Germany, the focus is increasingly put on clusters and their services as tool or frame to help companies, esp. SMEs, to internationalise. In this context, initiatives such as the **Portuguese patent support** programme could be examined for additional aspects to foster international unique selling points and so activities of companies.

C.3 GREECE

The *“Internationalisation – Business Competitiveness” programme*, co-financed by the ERDF and the Greek government, provides €30m grants to new and established SMEs, large firms and industrial networks in all sectors in promoting their products on the international market. This includes participation in exhibitions, marketing, improving product design, help with IPR protection, etc. The programme aims to foster entrepreneurship and business partnerships while increasing the visibility of Greek companies and products and on the international market.

The programme **Training for Internationalisation**, co-financed by the ESF and the Greek government provides grants for training on internationalisation. The programme addresses SMEs of all sectors. The total budget amounts to €3.5m.

The **Hellenic Foreign Trade Board (HEPO)** aims at promoting the internationalisation of Greek firms. The main line of activities of HEPO is the organization of international fairs in Greece, support Greek companies to participate in international fairs organised abroad and the organization of business missions. There is no focus on specific sectors.

Internationalisation support policy context for “cleantech” SMEs:

Low competitiveness, domination of services and high deficit in the external balance of goods and services are long-term structural characteristics of the Greek economy. Within this context the collapse of the internal market, due to the economic and deficit crises, brought out internationalisation as a critical challenge for the Greek economy and policy. For years, the Hellenic Foreign Trade Board was the only one or the main instrument for promoting exports through organization of business missions and participation in exhibitions.

Eco-innovation became a central issue in the policy agenda after the elections of 2009. The main emphasis was given on demand side policies by encouraging the wide production of solar energy at large and small scale (households) sites and of other types of renewable production methods. Also incentives were given to both companies and households to use environmental friendly and energy saving technologies. Development of eco-innovations is mainly supported by generic programmes aiming at improving the innovation capacity of the economy however without any clear focus on internationalisation.

- Low competitiveness of the Greek economy and high deficit in the external balance of goods and services (around 14.6% in 2011) have been recognized by government as main challenges.
- The emphasis of policies is on supporting indigenous development by improving the innovation capacity of the economy, especially on eco-innovation fields and promoting entrepreneurship.
- Eco-innovation is mainly supported through demand-side policies while the development of innovation capabilities is supported by non-selective instruments.
- Internationalisation is supported by non-selective instruments focusing on development of internal resources, marketing and networking

Strengths: financial support for covering a wide spectrum of needs

Weaknesses:

- no positive discrimination of eco-industries in public support policies.
- Lack of coaching and company specific support

Gap analysis on the internationalisation support system: GREECE

		Greece BPs		
Internationalisation Framework		Internationalisation and Business competitiveness	HEPO	Training for internationalisation
Policy makers	Positive discrimination via selection, financial incentives			
	Information/raising awareness			
	Identifying needs			
	Monitoring/evaluation			
Eco-Innovators (SME)	Developing internal resources	X		X
	Developing external resources/networks	X	X	
	Demonstrating Technologies/solutions			
	Market: knowing, entering	X	X	
	Setting up of businesses			

The **policy instruments focuses** on development of internal resources, development of external resources, and on international marketing (market knowing/entering).

The **main internationalisation bottlenecks** the instruments are trying to overcome are; a) lack of internal skills, b) lack of financial resources for internationalisation, c) lack of information on and access to external markets.

The **main gaps on the internationalisation support system** are found on the levels of: 1) positive discrimination of eco-innovative SMEs; 2) demonstration of technologies/solutions (investments for on-site demonstrations are not eligible) and; 3) setting up of businesses. Although the other areas of support are covered, there is still significant room for improvement by adding coaching and customised support to firms seeking to penetrate a new market.

Which policy instruments have a greater impact on the internationalisation of eco-innovative SMEs and why?

Although generic, the programmes could potentially contribute to the internationalisation of eco-innovative products.

Which BPs identified in other partner countries have the potential to be adapted and implemented to cover for bottlenecks?

A measure similar to the Finish VIGO acceleration programme could be organised tapping on VIGO's pool of experts.

Development of a support structure similar to the Finnish **Environmental Cluster for China (FECC)** or the Swedish **Steps to export**, could be a valuable supplement to the existing programmes.

The Swedish **R&D voucher programme** could be considered as an alternative to the existing **Internationalisation and Business Competitiveness** programme.

C.4 PORTUGAL

The **INOV-Export programme** seeks to support SMEs in their internationalisation and export business. Every year, this nationwide internship competition aims at recruiting about 500 young people with academic backgrounds or work experience in fields like international trade or international relations. They bring expertise to an SME during a 9 month internship to boost its export business and international profile, and the company receives a bonus if it employs them afterwards.

AICEP, the National Agency for the Promotion of Trade and Investment, has set up 14 **Export Shops** in district capitals across the country to help SMEs break into external markets. They provide a contact desk for direct and face-to-face dialogue and information on tools and approaches to internationalisation. They also oversee a network of placements of qualified staff who are specialists in international commerce in export-based SMEs.

AICEP Capital Global is an investment arm of AICEP that specializes in start-ups, growth capital, buyouts, recapitalization, and industry consolidation investments. The firm provides **venture capital support** to SMEs active on the international market through the export of goods and services or direct investment operations in foreign countries. AICEP Global Capital is particularly active in the internet, telecommunications, multimedia, biotechnology, health and the environmental sectors.

AICEP's **SME Qualification and Internationalisation Incentive System** supports investment projects in a number of areas, including those that aim to promote the active presence of Portuguese companies in foreign markets. As regards international promotion, it funds actions such as market research, participation in international fairs and exhibitions and international branding development and promotion. The scheme as a whole provided 75m € to fund 514 proposals from 2007 to 2009.

The **Line of Support to the Internationalisation of Patents** supports internationalisation and expansion strategies for Portuguese technologies and patents, in particular for SMEs, through the financial incentive to the registration of patents, both via the European and the International patents system.

Internationalisation support policy context for “cleantech” SMEs:

- The Portuguese Government considers innovation, the promotion of entrepreneurship and internationalisation of the national economy as a national priority
- The need to boost the agenda for internationalisation is crucial to strengthen economic growth and is well recognized in the National Reform Program (Portugal 2020) namely, by the articulation between industrial and innovation policies with the goal to accelerate the production and integration of innovative products in global markets supported in an integrated set of measures.

Main Government goals:

- a) To increase exports; b) To increase the number of exporting companies; c) To add increased-value to exports by continuing to promote entrepreneurial investment in R&D and innovation; d) To diversify markets to third countries
- **Strengths:** integrated vision and set of policies and instruments covering most of the internationalisation process stages.
- **Weaknesses:** no positive discrimination of eco-industries in public support policies.

Gap analysis on the internationalisation support system: PORTUGAL

Internationalisation Framework	Portugal's BPs				
	SMEs qualification and Internationalisation Incentive System	International Patents	VC-Aicep Capital Global	Lojas de Exportação - "Export shops"	Inov-EXPORT
Positive discrimination via selection, financial incentives	x	x	x		x
Information/raising awareness				x	
Identifying needs	x				x
Monitoring/evaluation	x				
Developing internal resources					x
Developing external resources/networks	x				
Demonstrating Technologies/solutions					
Market: knowing, entering	x			x	x
Setting up of businesses					

Main focus of **policy instruments**: most of the instruments identified are based on financial incentives (mainly public grants) supporting companies in the several stages of internationalisation, with a stronger emphasis on instruments for international marketing of companies (e.g. participation in international fairs, market studies, etc).

The **main internationalisation bottlenecks** the instruments are trying to overcome are; a) lack of financial resources for internationalisation activities, b) lack of internal skills on internationalisation and c) lack of information on external markets.

The **major gaps on the internationalisation support system** refer to 1) the absence of a positive discrimination of eco-innovative SMEs in public internationalisation support policies/instruments (the instruments are generic), 2) there are not specific instruments supporting the development of external resources/networks and the national industrial "clustering" phenomena is very recent, 3) instruments foreseeing the implementation of demonstration projects abroad is also very feeble, 4) tailored instruments in general and support for the actual setting up of businesses is also a policy area that is lacking.

Which BPs have a greater impact on the internationalisation of eco-innovative SMEs and why?

Although none of the BPs discriminates positively eco-innovative companies, we may agree that perhaps the "SMEs qualification and internationalisation incentive scheme" is the broadest ranging instrument, with lines of support covering important internationalisation stages: international marketing actions and market research studies. This is probably the line of support that companies most apply to and show the need for as it is a versatile one, open for individual companies, business associations (giving scale to the public investment), cooperation projects and, on the other hand it is a grant scheme, so any financial constraint inhibiting companies to invest in these dimensions of internationalisation is alleviated.

Which policy instruments have a synergetic effect in diffusing eco-innovative technologies in external markets? Please explain why.

It is our opinion that instruments such as the ones supporting international marketing campaigns have a more synergetic effect in the diffusion of technologies as it provides a first contact with potential clients and networks, although not necessarily high returns on investment as other type of support actions may promote, such as tailored consultancy, procurement consultancy, etc.

Which BPs identified in other partner countries have the potential to be adapted and implemented to cover for bottlenecks?

Portugal does not have an organised sector of eco-innovative industries, whose development strategy is based on principles of environmental sustainability. International promotion of the Portuguese eco-innovative industries is performed randomly according to efforts and opportunities, within each industry. Policy instruments devoted to support **clustering** and building critical mass in the cleantech industry (e.g. Finnish cleantech cluster) are considered highly beneficial.

Policy instruments in support of internationalisation are highly based on public grants and the levels of business cooperation are still low in Portugal. Cost-efficient and company-tailored policy instruments such as the Finnish “**Business Export Partnership**”, which aim at strengthening inter-companies’ cooperation and provide customised consultancy are considered relevant, leading to higher returns on public investment and broadening the scope and scale of internationalisation.

Finally, the **Vigo Accelerators**, another Finnish instrument, could be an excellent internationalisation leverage model, as it relies on a flexible mix of private and public venture capital, on a network of internationalisation expertise and on the sharing of risks and benefits.

C.5 SWEDEN

The **DemoEnvironment programme** aims to increase the export of environmental technology from Sweden. It provides grants for Swedish suppliers of environmental technology – up to a maximum of SEK 300 000 (33,000 €) – to conduct studies on the potential of a particular product in foreign markets. They are available to help companies find potential users of environmental technology in one of the 40 partner countries selected by Sida, the Swedish International Development Cooperation Agency

The region of Vastra Götaland set up an **R&D voucher scheme** in 2008 to support SMEs to compete in global markets. The programme consists of two kinds of grants: vouchers up to the value of c. 5500 € to help the company develop new knowledge for specific market needs, and vouchers up to the value of c. 55,000 € to help the company develop new knowledge and expertise that will lead to new products and services. Alongside boosting international market presence, the scheme’s goal is to create jobs and contribute to more energy efficient means of production and consumption.

Ecoex was founded by Business Region Göteborg in 2007 to coordinate contacts between environmental companies and decision makers looking for environmental expertise. Its web portal contains a database of environmental companies, and it actively promotes their technologies in Sweden and abroad. Ecoex also arranges study visits to showcase Swedish cleantech solutions and demonstration plants to international delegations.

The Swedish Trade Council's **Green Business Support Office** aims to reduce the risks associated with entering a new market, particularly for SMEs. Companies can quickly and easily establish a virtual or physical presence in a new country by taking advantage of the Trade Council's office space and IT systems in 60 countries worldwide. Up to c. 55,000 € of funding is available per company per year to cover half the costs of business services provided under the scheme.

Steps to export has been providing systematic and structure support to help companies prepare and develop export plans since 2009. Locally based advisors lead companies through the main export steps for investing in new or existing markets. As well as helping companies establish an initial foothold in foreign markets, Steps to export offers advice to more established companies on how they can expand their business abroad.

The **SymbioCity initiative** aims to spread the Swedish vision for sustainable urbanism and make its implementation as easy as possible. Several hundred Swedish consultants, contractors and system suppliers have been organised in various networks dedicated to spreading sustainable urbanism. The initiative helps Swedish companies market their goods internationally by presenting the SymbioCity concept at international trade fairs, seminars and missions around the world.

Gap analysis on the internationalisation support system: SWEDEN

		Sweden's BPs					
Internationalisation Framework		DemoEnvironment	ECOEX	SymbioCity	R&D vouchers	Steps to Export	Green BSO
Policy makers	Positive discrimination via selection, financial incentives	x	x	x			x
	Information/raising awareness	x	x	x			
	identifying needs	x	x		x	x	
	Monitoring/evaluation	x	x	x			
Eco-Innovators (SMEs)	Developing internal resources				x	x	
	Developing external resources/networks		x				
	Demonstrating Technologies/solutions	x	x	x			
	Market: knowing, entering	x			x	x	
	Setting up of businesses						x

Main focus of **policy instruments**: Most of the instruments identified focus on raising awareness on public support instruments for internationalisation (databases, brand building), on demonstrating technologies abroad and on home market to foreign countries' delegations, and on international marketing of Sweden's eco-innovative industries.

The main **internationalisation bottlenecks** the instruments are trying to overcome are: a) lack of knowledge/information on opportunity markets; b) lack of contacts of potential business partners and; c) lack of visibility of Swedish technologies and solutions on sustainable development in foreign markets.

The **main gaps on the internationalisation support system** are found on the levels of: development of internal skills on internationalisation (most programmes address internationalisation too early for SMEs, more suitable for large companies) and on setting up of businesses (take up of concrete co-operations often need further qualification/support). There is a need to coordinate clusters along the full supply chain.

Which policy instruments have a greater impact on the internationalisation of eco-innovative SMEs and why?

Steps to Export, being a tailored and market focused program, have had the best impact so far on internationalisation. It is a knowledge building program and for free.

Which BPs have a synergetic effect in diffusing eco-innovative technologies in external markets? Please explain why.

In general none of the programmes. The Swedish marketing program Symbiocity can have an impact as it is directed towards policy makers. The Symbiocity program includes a "mayer game" as a competition. The Demo environment program can also have an impact if the right conditions are available (eg in terms of customs, regulations, networks) and when clusters along the full supply chain has been working together and hence manage to get good business.

D. ECOPOL Internationalisation support policies' gap analysis: main findings

General policy context on internationalisation support systems (Finland, Germany, Greece, Portugal, Sweden):

Overall, apart from Germany, we are in presence of small countries: 3 with very strong and internationalised *cleantech* industries (Finland, Germany and Sweden) and 2 that do not discriminate the *cleantech* sector in their support policies (Greece and Portugal).

Highly dependent on exports, these economies share the same generic political goals to promote internationalisation: to create adequate context conditions for increasing the number of exporting companies, namely companies with a high growth potential producing higher added value products and services for international trade. The development of stronger venture capital instruments (public and private sources) and a continuous promotion of entrepreneurial R&D and innovation are some of the main lines of actions to be pursued and reinforced.

When asked to point out **main weaknesses** of their internationalisation support system, countries mention the following:

1. Dispersion of supporting programs, defragmentation and lack of coordination between program managing agencies.
2. Lack of coaching and tailored company support
3. Need to develop internal skills on internationalisation
4. Need to discriminate positively eco-innovators in supporting programs

5. No clear vision and strategy for the development of the eco-innovation sector and a market focus
6. Need for higher cluster coordination
7. Not enough risk financing for high growth potential companies

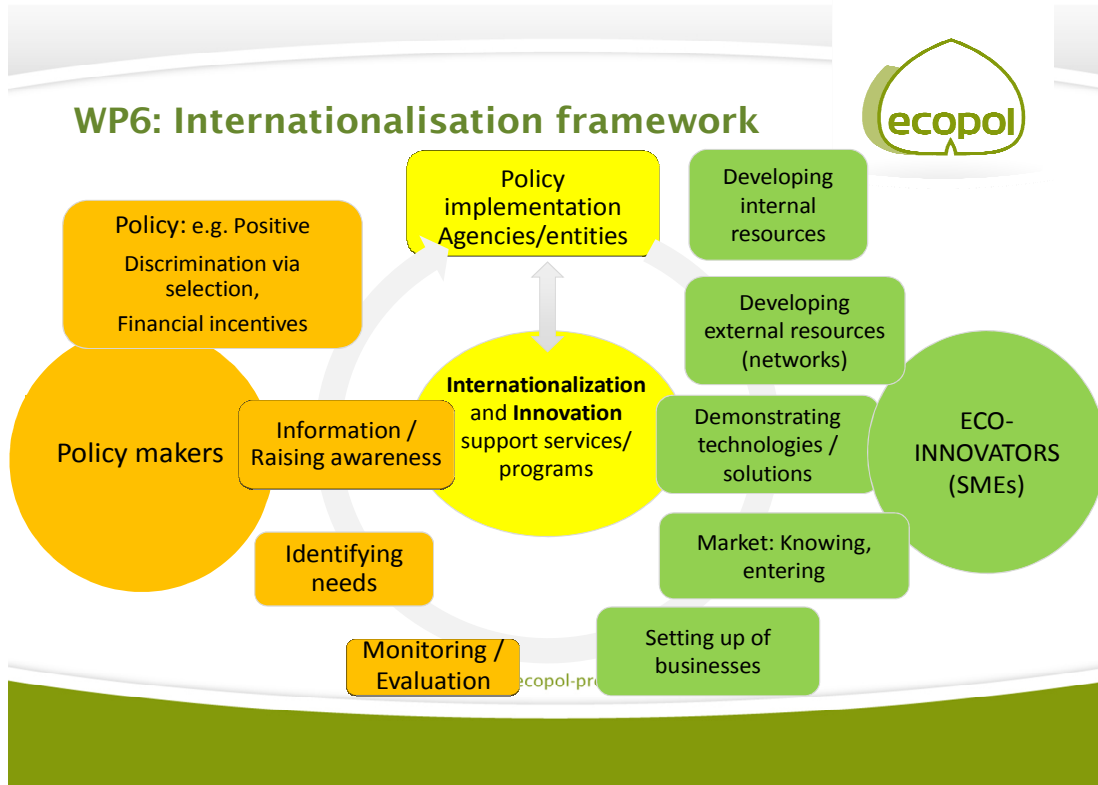
When asked to point out main internationalisation **policy gaps**, the following are pointed out:

1. Lack of public supporting lines for the demonstration of technologies abroad (4 references)
2. Lack of specialized and tailored support for the setting up of businesses in target markets (4 references)
3. Development of internal skills on internationalisation (3 references)
4. Lack of adequate support for clusters international development and coordination along the value-chain (3 references)
5. Insufficient coordination between internationalisation promotion entities at national level making it more difficult to assist SMEs. (2 references)
6. Not enough venture capital funding schemes for fast growing start-up companies (2 references)

When asked to identify which **policy instruments and best practices** from other partners could be adapted **to overcome national policy gaps**, the following types of policy support were pointed out more frequently:

1. VIGO Accelerators (FI) - venture capital instruments (3 references)
2. Business Export Partnership (FI) or Steps to Export (SE) – support for export consortia and tailored export consultancy for SMEs (3 references).
3. Cleantech Finland (FI) or FECC - Finnish Environmental Cluster for China (FI) – lines for the structuring and internationalisation of “cleantech” clusters with a clear market focus (3 references)
4. INOV EXPORT (PT) – programs supporting the development of internationalisation management skills within exporting companies (2 references)
5. R&D Vouchers (SE) – vouchers for the access of technical expertise on R&D and internationalisation processes (2 references)

Annex 1: Internationalisation process framework and support system



Annex 2: Framework of analysis for identifying policy gaps on the internationalisation support system

	Internationalisation Framework	Fields description
Policy makers	Positive discrimination via selection, financial incentives	Policy makers act as drivers of eco-innovation when they discriminate positively eco-innovative companies as the focus for specific internationalisation support Programmes/financial incentives. BPs that discriminate positively eco-innovators and provide financial incentives should be placed here.
	Information/raising awareness	Policy makers and policy implementation agencies are responsible for diffusing information on national economic potential and expertise and on internationalisation support Programmes. BPs such as online portals for the dissemination of internationalisation support programs; initiatives that promote the international dissemination and profile enhancement of national brands and/or clusters of expertise, should be placed here.
	Identifying needs	Policy makers and their implementation agencies are responsible for identifying needs of companies in their internationalisation processes in order to build adequate support programmes. BPs and instruments that focus on diagnosing companies' needs in order to provide them with a adequate counseling/or guidance in internationalisation, should be placed here.
	Monitoring/evaluation	Policy makers are responsible for monitoring the implementation and evaluating the effectiveness of internationalisation support programmes. BPs that, in their implementation process, foresee a clear instrument for its monitoring and periodic assessment should be placed here.
Eco-Innovators (SMEs)	Developing internal resources	When starting a process of internationalisation, companies often invest in developing internal skills and capacities, specialising their work force on international marketing/international commerce, etc. BPs/instruments that support this dimension should be placed here.
	Developing external resources/networks	When internationalising, companies often find a need to leverage their internationalisation process in specific networks whose activity, connections, know-how, and key-players help them enter and establish in new markets (e.g. cleantech Clusters). BPs/instruments that support the setting up of industrial clusters and their internationalisation and the integration of companies in international networks (R&D networks, investors networks, commercial networks, etc) should be placed here.
	Demonstrating Technologies/solutions	When entering a new market, eco-innovators need to demonstrate their technologies and solutions to potential clients, a process that seldom implies high investments for pilot demonstrator projects. BPs/instruments supporting technology transfer or international technical and technological cooperation should be placed here
	Market: knowing, entering	When entering new markets, eco-innovative SME's need to have an in-depth knowledge of the specificities of the target market, (being in terms of market organisation or on investment, operation and regulatory framework, competitive environment, cultural framework, etc). They also need instruments that promote their visibility towards potential clients/partners and that provide information and lobbying for international procurement/tenders, so as to facilitate their strategies for market entry. BPs/instruments focused on and providing strategic information on external markets, on external market opportunities, on supporting the international marketing of companies (e.g. market studies, viability studies, participation in international fairs, international sectoral missions, brokerage events, etc) and on providing information on international procurement/tenders, should be placed here.
	Setting up of businesses	When setting up new businesses abroad, companies need to have the support of specialised knowledge/consultancy, on the target market to help them to bring about successfully their businesses. BPs/instruments supporting the setting up of a new business abroad (e.g. due diligence support, procedural and legal support for the set up of a new economic activity abroad under any form - new factory, new office, firm agreements, joint ventures, etc - contractual procedures, IPR protection, financial and fiscal advice, lobbying, etc)