

Policy Briefing Report

POLICY BRIEF FOR THE 2021-2027 PROGRAMMING PERIOD

Written by: Pannon EGTC, Hungary – Croatia

Policy instrument addressed: Pilot project “Fostering Cooperation of SMEs across the border – Beneficiary Light Grant Scheme”

Executive statement

SMEs in the area of Pannon EGTC need more region-specific and differentiated support to increase their performance in international markets. To this end, existing system of local institutions need to be strengthened and more room for manoeuvre is needed for them to develop targeted schemes for the SMEs in the various stages of preparation for a more international presence. New regional measures are needed to put in place to help the cooperation of SMEs, including working together across the border.

About the project

Inter Ventures promotes the internationalization of SMEs in EU border regions, thus contributing to their growth and increased competitiveness. It brings together partners from five European border regions, representing various stages of evolution of SME ecosystems. Partners share their experiences and learn jointly about practices of SME internationalisation in the course of the project. Stakeholders in the regions of each partner are involved in the process, extending the learning opportunity to their organisations, too. Events organised within Inter Ventures include two (virtual) Thematic Study Visits focusing on relevant good practices and four Interregional Meetings combining training with discussions as well as a number of meetings with the regional stakeholders both from Hungary and Croatia, including training, brainstorm sessions and assisted workshops. A regional analysis of the current situation of internationalization of SMEs has been prepared, covering Hungarian and Croatian territories of the Pannon EGTC that involved interviews with key stakeholders and an online survey of SMEs directly, beside data analysis.

Context

In a region with

- strong peripheral characteristics,
- no particularly good transport links and
- only a few bigger international companies and
- high share of SMEs in the economic structure

is of utmost importance to focus on enhancing the competitiveness of their SME's. Croatian and Hungarian part of the EGTC's region shows some similar characteristics in terms of problems and development potential of the SMEs so that a coordinated development does have an additional added value for this cross-border region. International activities are not in the focus of the region's SMEs, though Croatian companies are more active internationally than Hungarian ones. Needs of companies are diverse in terms of support for internationalisation. Besides the few companies

exporting, other types of international activities, such as investment abroad or research and development cooperation are hardly found. Awareness of the conditions and benefits of a more international presence are also at low level. Intensity of the trade links between the Hungarian and Croatian companies is increasing.

According to our findings the more fundamental factor behind the low level of performance on the international markets is the low level of competitiveness of the region's SMEs.

A number of institutions and support schemes are in principle available to support both the competitiveness and the internationalization of local firms. However,

- capacities of the institutions are weak so that they're often unable to help and encourage SME's in participating in schemes
- selection priorities and criteria of nationally defined instruments are often not in line with the specific needs of the region's SMEs so that they often access these schemes

Results, conclusions and recommendations

To improve the international performance of the region's SME's a diversified set of measures need to be put in place, additional to currently available schemes. Measures shall address objectives such as

- increasing the capabilities of the region's universities – mainly the ones in Pécs, Osijek and Kaposvár – to better assist SMEs, especially in developing more innovative products and to enable them to create a sustainably operational innovation ecosystem
- Strengthen the capacities – both human capacities and knowledge-base – of existing regional institutions and enable them to become proactive and could provide hands-on assistance for local SMEs
- Encourage and support the cooperation between Croatian and Hungarian SMEs with a simpler set of procedures and considering the use of an approach differentiated according to preparedness of the companies and extending the deepening cooperation on the institutional actors involved in supporting the SME's
- Encourage cooperation and clustering among the region's SME's and extend the scope of these cooperations beyond national borders whenever it is possible
- carry out regular assessment and evaluation of operating measures and involve main actors – beneficiaries, intermediaries – in the discussion of the results to provide good quality feedback for improvement of the effectiveness of the measures

Besides, support schemes addressed to development of the competitiveness of the SMEs – such as subsidised schemes to provide investment money in fixed assets – shall be continued, with strong focus on increasing competitiveness of the SMEs, with no sectoral focus.

More specific recommendations, taking into account good practices we've learnt in Interventures, are summarised below:

Recommendation 1

Ministries responsible for the SME development component of operational programmes in Croatia and in Hungary shall include targeted actions to develop the innovation ecosystem with the participation of the universities of Kaposvár, Pécs and Osijek. Support shall focus on involving more SMEs in more innovative actions that both include the development of the supply of services by the

universities and the take-up such services by the SME's. Actions in each member state shall be open for stakeholders in the other country to participate and cooperative projects shall be encouraged.

Recommendation 2

Hungarian and Croatian national authorities and stakeholders involved in the programming for Interreg 2021 – 2027 shall renew the scheme that supports the cooperation of SME across the border. Renewed scheme shall take into account experiences of currently running scheme, first of all the SME's need for a simpler procedure.

In order to monitor the economic and networking impact of the project, evaluation component – involving all relevant stakeholders – needs to be incorporated in the project design already.

Recommendation 3

Ministries responsible for the SME development component of operational programmes in Croatia and in Hungary shall develop a specific regional support scheme for boosting internationalization of the SMEs in both countries. Scheme shall provide differentiated support for companies, according to the SME's level of preparedness, e.g. in categories as below:

- i. refundable financial support for more mature SMEs to increase or stabilize their presence on international markets (e.g. following the practice of the joint project of Regional Authority and regional Chamber of Commerce of Lombardy, Italy)
- ii. combined financial support and advisory services for companies considering to go international, covering audit of preparedness ("readiness"), development plan and training, as well as pilot investment support for product development, marketing or the extension of productive capacities (, e.g. projects in two stages, similarly as the Xpande Programme of the Chamber of Commerce and the local public authority of Burgos operates)
- iii. awareness-raising activities to provide information for SMEs on possibilities, benefits and basic conditions for SMEs, including the availability of supporting schemes and services, e.g. like practiced in Creative Accelerators for Sustainable Tourism (CAST) project.

In the first year an approach focusing on most promising thematic fields ("sectors") seems to be useful, especially in actions outlined in point ii. above. Renewably energy, environmental industry or/and health industry could be the sectors selected as pilot (as practiced by project "Adelante" by Polish region Podkarpackie Voivodeship).

Recommendation 4

A joint – Hungarian and Croatian - multi-stakeholder forum for the strategic coordination, monitoring and evaluation of strategies and policy instruments serving SME-support in the area of the EGTC shall be set up. The coordination forum (a platform) shall be established as an institution of the Pannon EGTC, serving EGTC's organisation as Secretariat and Operator to the Platform and needs to be supported jointly by EGTC's members and the two Member States involved in EGTC's operations.

The platform, as a permanent forum of exchange of experiences among the main actors working on economic- and, especially, SME development of the crossborder region would e.g.

- discuss regional needs and devise joint strategic directions for economic development,
- set up and maintains harmonised databases on various aspects of the operation of the SME's for purposes of planning, monitoring and evaluation of interventions that support SME's and

- assess and advise on new or existing policy instruments operational in the EGTC region in both countries.

Members would represent territorial chambers of commerce and industry, county-level institutions for SME support and regional development from both Croatia and Hungary, as well as other relevant partners.

References

Only include maximum of four sources where readers can find further information. Give the web addresses of publications and dates for when they were last accessed if possible.

<https://www.interregeurope.eu/interventures/>
<https://www.pannonegtc.eu/>