

## INTER VENTURES-Policies to promote the internationalisation of SMEs for more competitive regional ecosystems in border areas of the EU.

### 1. Issues addressed

Successful internationalization of SMEs is a fundamental issue regarding their competitiveness with immense impact on the growth and competitiveness of their regions. It gains even higher significance in border areas where the location itself has potentials for unique cooperation schemes and for acquiring new markets. The conditions however are not always ideal: borders may cause apparently insurmountable obstacles in building coherent cross-border SME ecosystems and the competences of SMEs for internationalization is not the same high either EU-wide.

The deeper economic and social integration of **border regions** is a fundamental condition of territorial cohesion in the EU. Being in a peripheral position in geographical terms – not necessarily but still too often – is coupled with peripheral status regarding the overall socio-economic position of these areas. Lots of hard evidence show that the biggest sufferers are the border areas in the **East-Central European** countries having had much more limited experience in building cross-border economic networks and flows than their counterparts in the **core EU countries** (esp. in Germany, France, or the Benelux states). In the latter group of EU member states, the high level of cross-border integration implies not only intense business networking and highly productive SME-cooperation, but also the co-creation of innovative and creative solutions as well as the provision of shared economic and even public services across borders.

- Unlike these high achievers in cross-border business cooperation, many other border regions across the EU have reached significantly lower level of economic integration, partially due to the low-level internationalization of SMEs and the facilitating institutional framework.
- Even in the more advanced border ecosystems there are issues to tackle to exploit the potentials of the border location to their maximum.

The situation of border areas, be them in a basic or far more advanced state, definitely deserves higher attention in relevant policies.

The **evolution of cross-border (CB)** SME cooperation has clearly distinguishable stages, where traditions, shared languages, harmonized institutional SME support systems etc. are of great advantage. Ideally based on systematic preparation and facilitation of SMEs occasional cooperation is the first step, paving the way for more structured CB SME networking. **Cross-border clusterization** is already a next phase of integrating and supporting SMEs' internationalization.

Building and further deepen the smooth operation of fully-fledged economic eco-systems with cross-border **production and innovation chains** is however a challenge that requires joint efforts to break down institutional and legal obstacles.

### 2. Project objectives

Within the Interreg Europe framework, the project will focus on Priority Axis 2, SO 2.1, that is formulated as follows: *'Improve the implementation of regional development policies and programmes, in particular programmes for Investment for Growth and Jobs and, where relevant, European Territorial Cooperation programmes, **supporting SMEs in all stages of their life cycle to develop and achieve growth and engage in innovation***' The envisaged objective of INTER VENTURES is:

**Boosting the internationalization of SMEs and facilitating stakeholders to promote the further growth, competitiveness, and quality of interactions in cross-border economic eco-systems.**

In order to develop eco-systems that can facilitate the delivery of production and innovation chains across national borders, Inter Ventures shall promote (provisional list of sub-objectives and their potential outputs):

- Identifying **shared local economic resources** and identifying policy measures to promote their shared (cross-border) utilization (networks, clusters, chains etc.) e.g. quality food production, tourism, agro/eco-tourism;
- **Governance models** to offer tailored support for cross-border production-chains, communities, clusters (not only bilateral SME cooperation, joint projects etc.);
- Identifying **alternative financing schemes** for projects and clusters with cross-border relevance (direct EU financing, multi-project loans);
- Identifying policy measures to **eliminate legal (regulatory), administrative and institutional barriers** hampering cross-border SME cooperation;
- Setting up supportive measures to **facilitate cross-border business relations**, regional branding and marketization of products etc. (joint support services);
- Strengthening the **recognition of values** in cross-border SME cooperation by policy measures and marketing.

Inter Ventures will focus on the **development of action plans to improve the functioning of regional policy instruments** that can have an effect on the development of SME eco-systems facilitating cross-border production and innovation chains. These policy instruments can be Structural Fund related (e.g. Regional Development Operational Programmes, Cross-border Cooperation Programmes, Operational Programmes on Innovation and Growth) or alternatively other local, regional, national or cross-border strategies, programmes and plans. Each project partner needs to address one policy instrument.

### 3. Project approach

The **1<sup>st</sup> phase** of the project implementation (lasting for 2 years) will cover the **interregional learning process** and will be divided into 3 stages: analysis, good practice transfer/knowledge exchange and action planning. It will consist of the following activities, roughly put in a chronological order:

1. The partnership will engage in the creation of **analysis of the current partner level/regional situation**, resulting in the identification of 1) learning needs (e.g. what are the shortcomings, what needs to be improved) and 2) good practices (e.g. proven policy related instruments/projects that can be seen as workable and transferable solutions able to address the commonly set thematic goal of the project.
2. Simultaneously all Project Partners will set up and manage a **local or regional stakeholder group** (consisting of e.g. companies, NGOs, public bodies, universities) which ensures that policy learning & exchange activities will not only take place at the level of actual project partners, but also beyond that, on a wider regional level.
3. **Knowledge sharing actions** are implemented to exchange ideas and know-how in the form of common partner meetings and site visits, staff exchange or peer review sessions. Moreover, all partners will participate in the Interreg Europe Policy Learning Platform throughout the project.
4. Based on all knowledge sharing activities, **one Action Plan per location or region** is created, synthesising the lessons learnt and setting up a roadmap for the improvement of the regional policy instruments addressed by each of the respective partners. These Action Plans are the main result of the planned Interreg Europe project.

In the **2<sup>nd</sup> phase** of the project (lasting for 1 year) Project Partners are responsible for the monitoring of the implementation of the designed action plans.

#### 4. Initiator and Lead Partner

Established in 2010, **Pannon EGTC** (European Grouping of Territorial Cooperation), seated in Pécs, Hungary, aims coordinated development of the Hungarian-Croatian-Slovenian border area, including: joint infrastructure development; the creation of cross-border integrated development programmes; territorial planning; cooperation in the health sector; local transport development; cooperation between national parks; development cross-border commercial networks of ventures, joint capital investment and employment; developing infrastructure for processing, logistics, and storing; creating networks of agricultural buyers. The organization includes 55 local governments, 1 university and 1 national park from the 3 countries.

The area covered by Pannon EGTC consists of **convergence regions in peripheral, border-side position**. Besides the structural challenges, it faces negligible cross-border economic links due to the weak institutional and support mechanisms, scarce SME skills, competences and willingness to cooperate, just like many other border areas in Europe. The region also fails to create a supportive environment for co-working and to creatively use its **rich cultural and economic potentials**.

The **Hungary-Croatia Cross-border Co-operation Programme 2014-2020** (the policy instrument tackled by Pannon EGTC in the framework of Inter Ventures ) was meant to **break down** multiple obstacles (such as *'language barriers, traditional isolation, low economic performance, SMEs holding back from international connections, lack of entrepreneurial skills and scarce financing'*) of cooperation and to **support** *'value-added exploitation of the region's rich natural and cultural resources and the permanent enrichment of economic, institutional and individual relationships across the border'*. In line with the overall objectives the prime concern is building a cohesive cross-border economic platform which is expressed in PA 1 of the instrument, aiming at *'Economic Development - Enhancing the competitiveness of SMEs'*.

The CBC Programme has joined the **B Light Scheme**<sup>1</sup> (covering entirely Priority 1) and runs the construction **as a pilot**. The EGTC is interested in making the scheme work efficiently serving the cross-border eco-system building via intensified and quality SME interactions conditioned by SME internationalization actions.

Pannon EGTC therefore is **especially interested in policy improvements targeting the following issues**:

- Disadvantages of border-region SMEs in the market due to the Schengen regulations – comparative disadvantages compared to regions where Schengen is not relevant;
- Obstacles of the flow of food products over the Hungarian-Croatian border, where short supply chains are crucial for the value added – the border currently causes a tangible loss of business for the food producers;
- Lack of incentives to build constant cross-border production and distribution chains facilitating changes in the regulatory environment.

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<sup>1</sup> Beneficiary Light Grant Scheme

## 5. Budget and financing

The **total ERDF contribution** for an Interreg Europe project (i.e. for the partnership as a whole and for the entire project life time) is expected to be 1-2 Million EUR.

Project partners may get a share of ca. 100.000-300.000 EUR of the total ERDF budget, while the average Lead Partner share (covering overall management, coordination and communication activities as well) is ca. 300.000-400.000 EUR. Eligible costs are

- Staff costs (usually ca. 50% of the total budget);
- Office and administrative expenditure (flat rate, 15% of staff costs);
- Travel and accommodation costs (for meetings, events facilitating knowledge transfer and communication);
- External expertise (in well justified cases, up to ca. 30-40%);
- Minor office equipment (max. EUR 5,000 –7,000 per project).

The **ERDF contribution rates** for EU member state partners are 85% for public bodies, and 75% for private non-profit bodies.

Norwegian funding provides 50% contribution to public/private non-profit bodies from Norway, while the available Swiss funding contribution for Swiss partners is decided by the Swiss Interreg Europe national contact point.