

INTERNATIONALISATION POLICY IN SLOVENIA/PODRAVJE REGION

STATE OF AFFAIRS

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0. INTRODUCTORY REMARKS

The overview of internationalisation, Regional State of Affairs, was prepared by project INTRA (Internationalisation of regional SME, PGI01464, INTRA), financed within Interreg Europe programme.

INTRA project focuses on the role of public authorities in creating internationalisation services to support the competitiveness of the regional economies and thus contribute to the Europe 2020 Strategy. Developed by the project partners, it builds on internationalisation research findings as well as highlights the importance of regional quadruple helix partnerships to bring together universities, business, civil society and local authorities as the main stakeholders in research and design of new internationalisation policy models, wider acceptance of the good practices identified within the INTRA regions and preparation of new project proposals to be funded under the respective national Cohesion policy 2014-2020.

INTRA partners exchange, explore and disseminate good practices in ways to promote internationalisation and improve competitiveness of the respective regions involved. INTRA has 6 partners from six different EU28 member states: Maribor Development Agency (SI), Regional Agency for Entrepreneurship and Innovations – Varna (BG), Foundation FUNDECYT Scientific and Technological Park of Extremadura (ES), University of Algarve (PT), Coventry University Enterprises Limited (UK), CAPITANK (IT) and are supported by the Managing Authorities for ERDF and represent the active stakeholders in internationalisation.

The objectives of INTRA are to provide comprehensive mapping, evaluation and benchmarking of various internationalisation services available across the regions, highlight good practices/gaps that promote/impede on SME at various stages of the internationalisation process. Upon the selection of good practices, the viable strategies/instruments to enhance good practices and address gaps within the regional development programmes will be elaborated and described in the Policy recommendations and implemented in the regional Action plans as to contribute to the internationalisation policies aligned to the needs of SME and gaps not filled by the existing instruments.

Policy addressed

Policy addressed by Maribor Development Agency and in particular the stakeholders involved is the Operational Programme for the Implementation of the EU Cohesion Policy in the Period 2014 – 2020 (CCI2014Si16MAOP001).

Thematic Objective: (3) Enhancing the competitiveness of SME, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF) Selected Investment priority: 2.3.4 Developing and implementing new business models for SME, in particular with regard to internationalisation Specific Objective: enhance international competitiveness of SME.

Expected results: increased capacity of enterprises to integrate into global value chains; increased export-intensity of enterprises; increased export of services.

Quoted: “(...) neither support nor business environment are fully developed to help Slovenian enterprises integrate in international economic flows or to provide support for export-oriented enterprises.

Reasons for improvement: no regional support structure for SME internationalization foreseen and no special actions for the East and West Cohesion Region. The institutional framework for the implementation of the actions is not described as well as the cooperation between different stakeholders is not defined although the beneficiaries are: SME, institutions, chambers, associations, NGOs, networks, Regional development institutions, public institutes. Therefore, the main challenge to be addressed is the stakeholder cooperation in internationalization of Slovenian SME that will result in the Action Plan and the preparation of joint programme/project on regional level.

Definition of internationalisation

There is no universal definition for ‘Internationalisation’. Within INTRA, which focuses on policies that support the internationalisation of SME, the following definition will apply: Internationalization is “the process of adapting firms’ operations (strategy, structure, resource, etc.) to international environments” (Calof, J.L. and Beamish P.W., 1995)

Crucial point is to unfold the gap between the existing policies and the needs of SME in their internationalisation processes in all their phases - from market entry to the exit policy as well as to compare the implementation of internationalisation policies between the involved EU regions. Internationalisation policy will be therefore understood as policy, strategy, programmes (objectives, measures, projects, activities) that foster/aim to support internationalisation of SME on EU, national, regional or even local level and are supported by the policy targeted by each project partner (and mostly financed through the cohesion

policy). However, the internationalisation activities can be financed through other financial instruments or even the SME themselves.

State of Affairs: composition of the document

The introductory chapter is the socio-economic portrait of the Slovenia and in particular East Slovenia (NUTS II) and Podravje (NUTS III) region, the role and importance of internationalisation for the SME, their productivity and inclusion in global value chains.

First chapter present the main macroeconomic data related to the internationalisation of Slovenian economy, its prevailing exporting markets as well as trade balance achieved recently. The main exporting goods/services are presented as well as the top exporting companies in Slovenia and in Podravje listed.

The third chapter focuses on legislative framework for internationalisation and (public) financial sources for it with the description of internationalisation measures within OP and its implementation status. The key stakeholders on local/regional/national level are presented and their role briefly highlighted.

The next two chapters include the results of interviews with stakeholders as well as the survey in the companies. The objectives of interviews were to determine what kind of measures and services are available for SME in supporting their internationalisation activities, which are most successful approaches and pro-active measures to stimulate it and to determine and evaluate the relationships between the organisations (mostly institutional) providing support (financial as well as non-financial) to SME and SME themselves.

How useful are services provided by the governmental institution and other national/regional/local institutions providing SME support was the main focus of the questionnaire for SME.

Comparison of both, SME and institutional providers, reveals the gaps between the needs and actual support measures, including those proposed in the tackled Operational Programme. The results with the recommendations are presented in the Chapter 7.

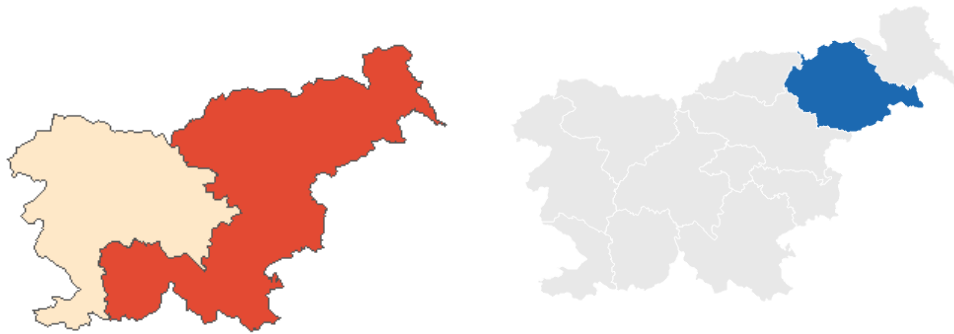
Following the SWOT analysis in Chapter 8, the Summary of the recommendations are presented in the last Chapter.

1. PORTRAIT OF THE REGION

1.1 GENERAL INFORMATION¹

Republic of Slovenia is divided into two NUTS 2 (East and West Slovenia/Vzhodna in Zahodna Slovenija) regions and 12 NUTS III regions (Podravje, Pomurje, Koroška, Savinjska, Zasavje, Posavje, Jugovzhodna Slovenija, Osrednjeslovenska, Gorenjska, Primorsko-notranjska, Goriška, Obalno-kraška) and 212 municipalities (LAU 2), of which 11 are city municipalities (Maribor, Ljubljana, Celje, Murska Sobota, Kranj, Koper, Slovenj Gradec, Velenje, Ptuj, Novo mesto, Nova Gorica). Maribor is the second largest city in Slovenia and the centre of Podravje region in East Slovenia.

Figure 1: Cohesion regions NUTS II (East and West Slovenia), NUTS III (12 regions, Podravje...)



Source: SURS, 2017

16% of Slovenia's population lived in the Podravska statistical region in 2015. The share of people aged 0–14 was among the lowest (13.5%); it was lower only in the Pomurska statistical region. In 2015 a national decrease was recorded, amounting to –1.7 per 1,000 population, and net migration was –0.8 per 1,000 population. The share of population (25–64 years) with tertiary education being below the Slovenian average (24%). In the educational year 2016/2017 the number of students was 79.547, of which from Maribor 3.522.

1.2 ECONOMIC GROWTH²

The Slovenian economy continued to experience solid growth in 2016. Economic output is estimated to have expanded by 2.5 % in 2016, after a 2.3 % growth in 2015. The rebound, which started in 2014, was initially driven by strong export performance supported by improved cost competitiveness.

In 2015, the GDP per capita in Slovenia was the highest in the Osrednjeslovenska statistical region (EUR 26,418) and the lowest in Zasavska (EUR 10,060); GDP per capita was low also in the Pomurska (EUR 12,437) and the Primorskonotranjska statistical regions (EUR 13,792). The contribution of industry to regional gross value added was the highest in Jugovzhodna Slovenija (51%) and in the Koroška, Posavska, Savinjska and Zasavska statistical regions (over 40%). The contribution of agriculture was the highest in the Primorskonotranjska statistical region (8% of gross value added) and in Pomurska (7% of gross value added).

The nominal GDP in Slovenia in 2016 was 38.570 million EUR, less than half in East Slovenia 16.930 million EUR; GDP per capita in 2015 was 18.693 EUR in Slovenia, 15.493 EUR in East Slovenia and in Podravje 15.456 EUR. Not to be neglected that Ljubljana, the capital of Slovenia, is in the West Slovenia (Osrednjeslovenska region on NUTS III level).

1.3 VALUE ADDED³

The structure of value added in Slovenia shows that the services represent a 64,9% share on the state level; in East Cohesion region 54,4% and in Podravje 63,8% (data for 2015). Although Maribor was even with a significant decline still remains a predominantly industrial city, the share of industry in value added of Podravje region is 26,6% and is lower than the national average of 27.3% or even the average of East Slovenia 35.4%. In 2015 the construction sector still represented 6,8% in value added of Podravje region (contributes to the national value added in GDP 12,93%). The region generated 13% of the national GDP, but GDP per capita was the fifth lowest in the country. The region had slightly less than 26,000 enterprises with an average 4.6 persons employed. There were 423 dwellings per 1,000 population. 7% of dwellings were completed after 2005 which means that the Podravska region had a relatively high share of new dwellings.

1.4 RESEARCH AND DEVELOPMENT⁴

Research and development expenditure in the public sector decreased in 2016 in comparison to the 2010 and represented only 66.2% of European average (decrease of - 10.5% from 2010). Venture capital expenditures are very low and represent only 7.7% of the EU average in 2016. According to the Research and Development Indicators, the GERD

¹ Source: Regions in figures: Statistical portrait of the Slovene regions, 2017, Statistical Office of the Republic of Slovenia

² Source : IMAD, Development report, 2016

³ Source: IMAD, Development report, 2016

⁴ Source: IMAD, Development report, 2017

was in Slovenia 2.2% of GDP or 853.067 million EUR and in Podravje only 42.336 million EUR or 0.8 (5% of total), of which share in business enterprise 62% and 21,8% of government funds. Share of higher education funds is 2.2% and 13.9% from abroad. Firm investments in Slovenia are above the European average (141,0%), of which R&D expenditure in the business sector in 2016 were 142.9% of the European average, non-R&D innovation expenditures were also higher than in EU 118.5%.

Podravje region has 8,5% of all researchers in Slovenia. Total R&D personnel in Slovenia in 2015 was 14.225 FTE, of which 7.900 were researchers. In Podravje 1052 FTE, of which 673 were researchers. The employment in knowledge-intensive activities in Slovenia in 2016 was above the EU average 102.6%, however, the share of such employments in fast-growing enterprises is only 53.6% (in 2016), which is below the EU average.

1.5 INNOVATION⁵

According to the European Innovation Scoreboard 2017 Slovenia is a **Strong Innovator**. Slovenia has an innovation-friendly environment (114.3% in comparison to the EU), although it exhibits negative change from 2010 to 2016 (-24%), e.g. increased broadband penetration to 177.8% and decrease of opportunity-driven entrepreneurship to 69.5% of the EU average (decrease of – 64.6% from 2010 to 2016).

1.6 INWARD FDI⁶

The stock of inward FDI in Slovenia amounted to EUR 11.6 billion at the end of 2015, up 13.4% on the end of 2014. In the breakdown of FDI by statistical region, the highest concentration in total inward FDI in value terms over the entire observation period has been in the region of Central Slovenia, which accounted for 65.0% of the total at the end of 2015. The next three regions are Gorenjska (6.0% of total inward FDI), Coastal-Karst (5.7%) and Podravska (5.5%).

EU Member States prevail among investor countries, together accounting for 84.3% of all inward FDI in Slovenia in value terms at the end of 2015. The most important of these investors is Austria, which accounted for 30.7% of all inward FDI.

The stock of Slovenian outward FDI amounted to EUR 5,460.6 million at the end of 2015, up almost 2.4% on the previous year, largely as a result of transactions in (payments of) equity.

⁵ Source : European Commission: European Innovation Scoreboard, 2017

⁶ Source: Bank of Slovenia, Direct investment 2015, 2016

The Slovenian, East Slovenia, Podravje and Municipality Maribor ID are represented in the table 1 below.

Table 1: Slovenian economy in brief

	Slovenia	East Slovenia	Podravje	Municipality Maribor	Measured in	Date/period of data
Surface	20.273	12.433	2170	148	Km ²	1.1.2017
Population	2.065.895	1091159	322545	111750	Number	1.1.2017
Population growth	0.6	-1,2	-2,5	-4,6	%	31.12.2015
Population density	101.9	87.8	149	753,1	Number/km ²	1.1.2017
Origin of value added (structure)						
Agriculture	2.4	3,7	2,6	-	%	2015
Industry	27.3	35,4	26,8	-	%	2015
Construction	5,5	6,5	6,8	-	%	2015
Services	64,9	54,4	63,8	-	%	2015
Total	100	100	100	-	%	2015
GDP real annual change	2.5	1,9	-	-	%	2016
Nominal GDP	38570	16930	4986	-	Million EUR	2016
GDP per capita	18693	15493	15456	-	EUR	2015
Industrial production annual change	7.8	-	-	-	%	April, 2017
Total employment	817209	377990	115213	38667	Number	2016
Unemployment rate	10,8	12,7	12,3	15,6	%	July - December 2016
Annual inflation rate	1.5	-	-	-	%	May, 2017
General government						
revenue	43.5	-	-	-	%GDP	2016
surplus/deficit	-1.5	-	-	-	%GDP	2016
debt	79.7	-	-	-	%GDP	31.12.2016

BOP current account	2.719	-	-	-	million EUR	2016
Trade balance	1.537	-	-	-	million EUR	2016
Gross foreign debt	44.100	-	-	-	million EUR	30.4.2017
Net foreign debt	9.850	-	-	-	million EUR	30.4.2017

Source: Bank of Slovenia, 2016, SURS, 2017

1.7 EMPLOYMENT⁷

The total number of employees in Slovenia in 2015 was 941.494, out of which 448.929 in East Slovenia. Most were employed in manufacturing industry, predominantly in NACE C (190.921). 87.406 were employed in public administration, defence, education and health, followed by 77.447 employed in trade, accommodation and transport. Total employment in services in Slovenia was 591.613, in East Slovenia 237.036 and in Podravje 81.985.

1.8 ENTERPRISES⁸

In comparison to the EU level, the composition of turnover as average from 2011 – 2014 was by micro enterprises 20.8% (EU: 17.3%), SME 47.1% (EU: 38%), large enterprises 32.1% (EU: 44.1%). The share of foreign controlled enterprises in 2014 was significantly higher in Slovenia 4.37% then in EU 1.18%.

There were almost 192.000 enterprises in Slovenia in 2015. A third of them was registered in the Osrednjeslovenska statistical region and they generated 46% of total turnover of all enterprises in the country. The average turnover was the highest in the Osrednjeslovenska statistical region (EUR 685,000) and the lowest in Zasavska (EUR 246,000). In Podravje region there was 13,48% registered companies (as part of East Slovenia with 43,99% registered) contributing only 10.86% to the income.

Table 2: Number of Slovenian enterprises at NUTS I, II and III level

Slovenian enterprises, NUTS I, II (East) and NUTS III (Podravje), 2015		
	2015	
	Number of companies	Income (1000 EUR)
SLOVENIJA	191863	95298760

⁷ For more info: Slovenian statistical data portal, <http://pxweb.stat.si/pxweb/dialog/statfile1.asp>

⁸ Source: Informacija o poslovanju gospodarskih družb, samostojnih podjetnikov in zadrug v Podravski regiji v letu 2016, AJ PES, 2016.

Vzhodna Slovenija	84407	36078232
Podravje	25873	10345996

Source: Statistical Office of the Republic of Slovenia, 2017

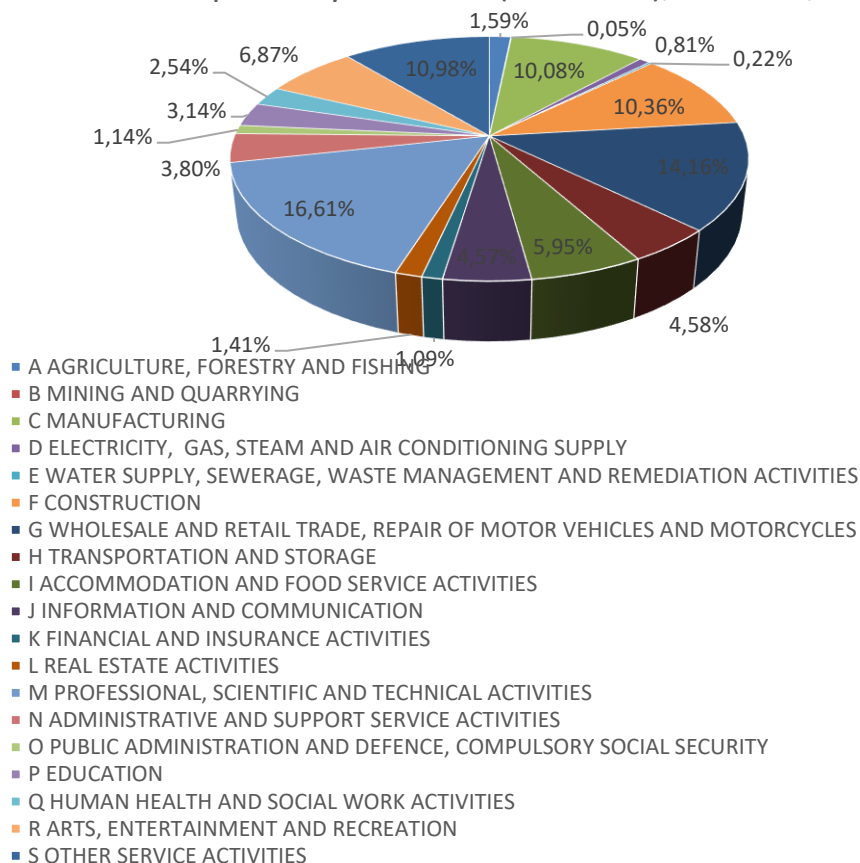
95,26% of all SME are micro with 0 to 9 employees, 3.7% small (10 to 49 employees) and 1,04% medium sized SME (50 to 249 employees).

Enterprises with headquarters in the Osrednjeslovenska statistical region contributed 26% of the total value of exports and 43% of the total value of imports. There were 628 high-growth enterprises in Slovenia. They employed more than 42,000 persons, most of them (49%) in the Osrednjeslovenska statistical region and the fewest (1 %) in Primorsko-notranjska.

According to the activities, the highest share of enterprises is in group M (Professional, scientific and technical activities), followed by G (Wholesale and retail trade, repair of motor vehicles and motorcycles) and S (Other service activities). In the fourth place is F (Construction), closely followed by C (Manufacturing) and R (Arts, entertainment and recreation) as illustrated in the figure 2 below.

Figure 2: Percentages of total enterprises by activities, Slovenia, 2015

Number of enterprises by activities (SKD 2008), Slovenia, 2015



Source: Statistical Office of the Republic of Slovenia, own calculations

1.9 ENTERPRISES IN PODRAVJE REGION⁹

In 2016, the companies in Podravje region exhibited positive business trends, with increased revenues, net added value, number of employees and net profit in comparison to the year 2015. There were 8.037 active companies in 2016, which generated 8.092 million EUR. Volume of revenues on foreign markets increased for 4% in 2016. The net added value per employee in 2016 increased to 33.273 EUR. Average wage in companies was in 2016 EUR 1.372. 5.526 companies had net profit (368 million EUR) and 2.280 net loss in the amount of 87 million EUR. The capital volume increased to 3.565.860.000 EUR.

The manufacturing still represents the major part of the economic activities (in total 2877 companies), out of which 968 are in manufacturing of food products, 33 in manufacturing of chemicals and chemical products, 96 in manufacturing of pharmaceutical preparations, 851 in manufacturing of basic metals and fabricated metal products, 87 in manufacturing of computer, electronic and optical products and electrical equipment, 54 in manufacturing of motor vehicles, trailers and semi-trailers and other transport equipment and 74 in manufacturing of furniture.

In supply of electricity, gas, steam and air conditioning there are 251 companies, and in water supply, sewerage, waste management and remediation activities 16 companies.

In construction there are 2613 companies still active.

In wholesale and retail trade, repair of motor vehicles and motorcycles are 3889 companies. Among services, 4150 companies are active in professional, scientific and technical activities, the administrative and support service activities comprise 997 companies. In human health and social work activities there are 799 companies and 1863 in arts, entertainment and recreation.

⁹ Source: Informacija o poslovanju gospodarskih družb, samostojnih podjetnikov in zadrug v Podravski regiji v letu 2016, AJ PES, 2016.

2. INTERNATIONAL TRADE

2.1 EXPORT COMPETITIVENESS OF SLOVENIAN ECONOMY¹⁰

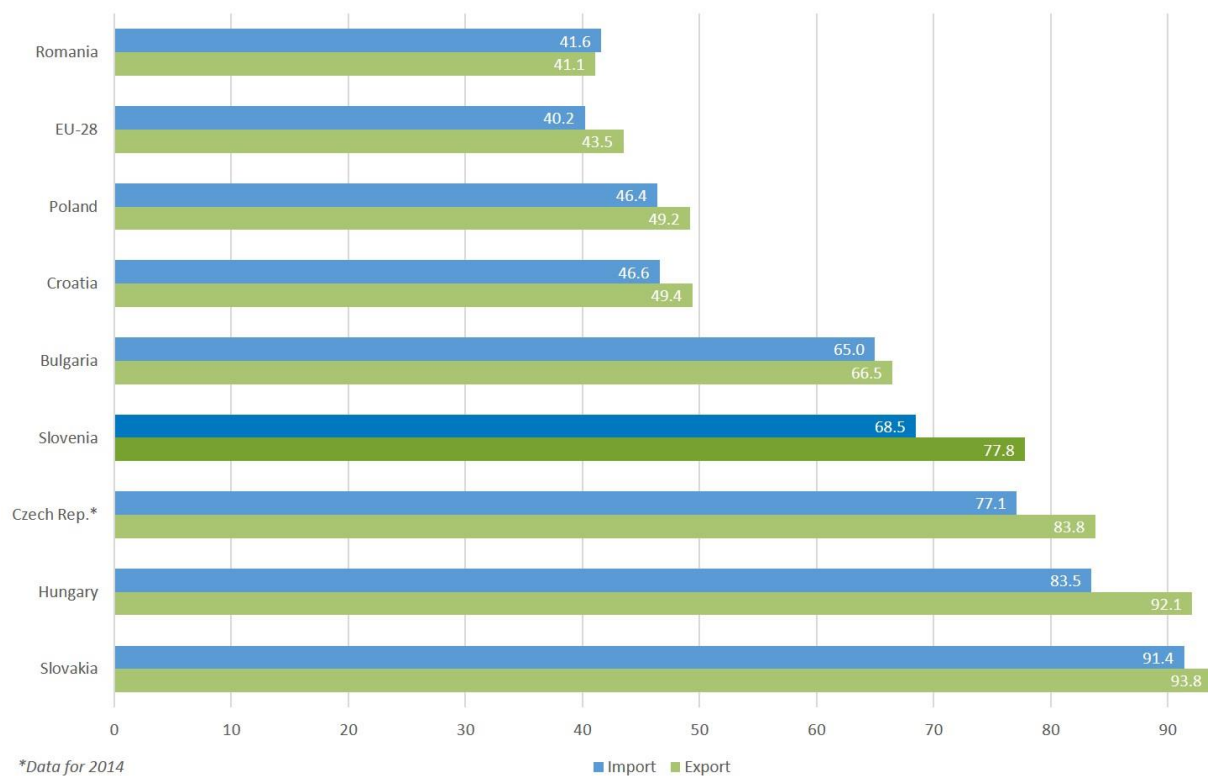
The export competitiveness of the Slovenian economy has improved considerably in the last few years and the export market share exceeds the pre-crisis levels on the key geographic markets. The greatest increases in market shares have been on the largest export markets (Germany, Italy, Austria and Croatia). In addition to the consolidation of position on traditional markets, the fast growth on less important export markets in the EU indicates the diversification of exports within the European Single Market. In terms of product composition, the market share of high-technology-intensive products has reached the pre-crisis level, and since 2012, when industrial production in the EU recovered, the shares of medium- and low-technology-intensive products, which are usually intermediate products in the global supply chains, have also been increasing.

The growth of export market share is the result of the improved factors in the domestic economic environment as well as of the relatively fast growth on the product and geographic markets important for Slovenian exports. In recent years, the cost and price factors of competitiveness have improved in the domestic environment and the burden of corporate debt level has been lessened substantially. The resulting higher profitability, together with the improved access to financing sources for companies, contributed to the gradual growth in the investments of the corporate sector. Since 2013, foreign direct investments inflows have also increased substantially. In addition to these factors, which affect competitiveness at the level of companies, the structure of exports also had a positive impact on the growth of aggregate market share after 2012. The import demand on the markets important for the Slovenian exports (the EU market in particular) has been increasing faster than on less important markets. The composition of Slovenian exports has also changed since the onset of the crisis. The share of less competitive labour-intensive products has decreased, while the share of technology-intensive products has increased, although it is still much smaller than in the EU as a whole. The positive effect of the geographic and product composition of exports on the market share growth was relatively strong in 2013–2015, after being strongly negative in the first years of the crisis.

The growth in productivity remains modest and will be the main challenge in the further strengthening of corporate sector competitiveness. The improvement in cost competitiveness after 2010 was mainly the result of the adjustment of the labour market (through wages and employment rate) to the lower economic activity.

The greatest adjustments were made in the tradeable sector, more precisely in manufacturing, where by 2015 the unit labour costs had fallen to the pre-crisis level and thus reached a similar ratio to the EU as before the crisis. Growth in productivity, which is essential for maintaining competitiveness when the labour market is recovering and wages are rising, however, is still lower than the long-term average prior to the crisis.

Figure 3: Export and import in EU



Source: Eurostat, 2017

The cost competitiveness indicators of the tradeable sector and manufacturing remained at relatively favourable levels in 2015 and 2016. However, if the low growth in productivity continues, the increase in wages could start to exert pressure on the competitive position of companies, particularly in circumstances of rising cost pressures related to the prices of raw materials on the world market. The competitiveness of the tradeable sector could also be adversely affected if the growth in unit labour costs growth in the non-tradeable sector, which started again in 2016, persists (e.g. through higher prices of services).

¹⁰ The source of the text: Development report 2017, IMAD

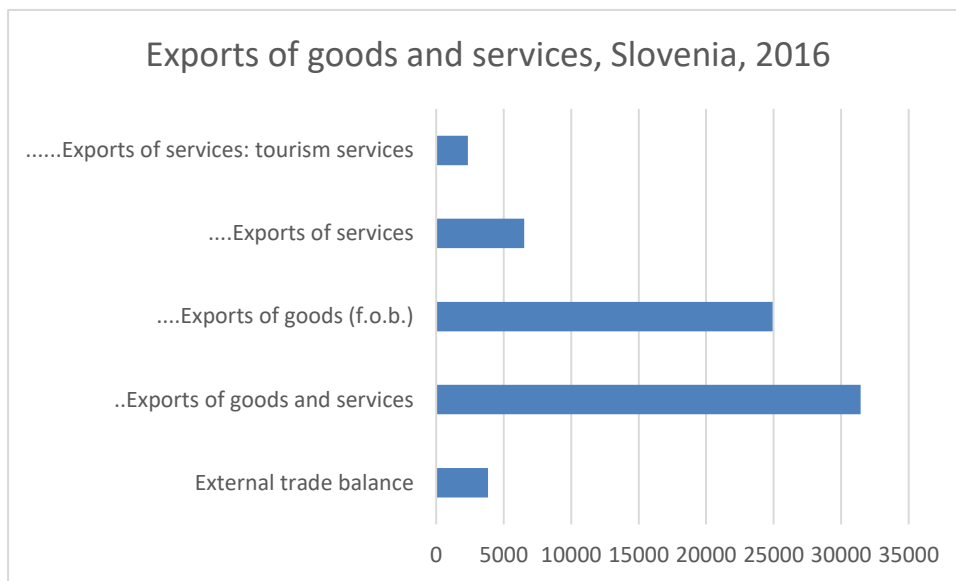
There are cyclical and long-term structural factors behind the modest productivity growth. During the crisis, the contribution of capital to productivity growth has declined sharply and remained far below the pre-crisis level. In addition to the cyclical decline in investments, it was also affected by structural factors, such as inappropriate capital allocation before the crisis.

At the same time, there was a considerable reduction in the contribution of total factor productivity, which should reflect the impact of all other factors, i.e. except capital, and is usually associated with the long-term factors affecting innovation activity and entrepreneurial dynamics. With regard to innovation activity, Slovenia has slipped since the onset of the crisis and lags behind the more developed countries. The number of high-growth companies has also declined sharply during crisis and has remained at exceptionally low levels since 2010. Even the frontier companies, which were the productivity drivers until 2008, did not maintain the pre-crisis tempo of productivity growth. The increase in the share of early-stage entrepreneurs in 2016 due to identified business opportunities (following several years of stagnation) and shifts in start-up entrepreneurship, on the other hand, might indicate that entrepreneurial dynamism is going to improve in the coming period.

Increasing productivity is a challenge for any sector; since the crisis the greatest progress has been made by manufacturing. Productivity in Slovenia is lower than the EU average by approximately one-fifth. The major part of the lag is due to the lower productivity at the sector level and only a small part to differences in the structure of the economy. The dynamics of productivity improvement since the onset of the crisis vary significantly among different sectors. Only manufacturing has reduced the lag behind the EU average in comparison with levels before the crisis. Its growth is related to the strong export orientation and inclusion in global value chains, particularly on the EU market, which has recovered since 2013. The increase in the share of technology-intensive industries has also had a positive impact on aggregate productivity growth in the sector. However, despite the progress made, the lag of manufacturing behind the EU average is still great, particularly in some technology-intensive industries, which in more developed and highly innovative economies achieve the highest levels of productivity.

The progress made in services, particularly in knowledge-intensive services was more modest. The traditional services (trade, hotels and restaurants, and transport) made the best progress, while the knowledge-intensive services, which have great potential for productivity growth, have been slower in reducing the lag behind the EU. Such trends are the result of their predominant focus on the domestic market, which has been slow to recover since the crisis.

Figure 4: Export of goods and services, Slovenia, 2016



Source: SORS, 2017

The productivity of these services is also hindered by the poor innovation activity of mostly small service enterprises and in telecommunications also by the delay in the privatisation of the largest operator. Analyses show that a long-term positive impact on productivity would also be achieved by deregulating the most regulated professional services and reducing administrative obstacles, which place a larger burden on small companies than large ones. The rise in the exports of knowledge-intensive services over several years has a positive trend, but it has yet to be reflected in the increase in their export market share.

Figure 5: Import of goods and services, Slovenia, 2016



Source: SORS, 2017

2.2 GLOBAL VALUE CHAINS¹¹

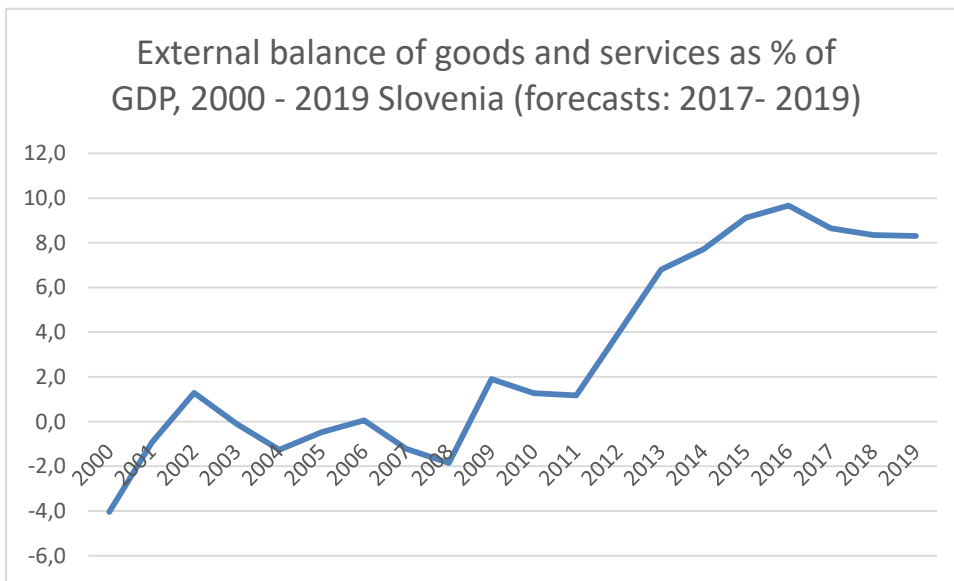
Slovenia's integration in global value chains is above average in terms of foreign trade in goods and below average in terms of trade in business (knowledge-based) services. The share of intermediate products in Slovenian merchandise foreign trade exceeds the EU average and the average of the new EU Member States in both exports and imports, while the opposite applies to the share of intermediate products in the exports of business services. In terms of dynamics, the increase in Slovenia's foreign trade in intermediate products in the last decade (2005–2014) lagged considerably behind the EU average and even more behind the average of the new EU Member States. In 2014, Slovenia ranked fifth with regard to the share of intermediate products in merchandise exports, sixth with regard to the share of intermediate products in merchandise imports and eleventh with regard to the share of intermediate products in the export of business services among the new EU Member States (13 countries).

¹¹ Source: Development report 2016, IMAD

2.3 TRADE BALANCE¹²

In the period 1995 – 2008, the trade balance was negative, Slovenia was importing more goods and services as exporting¹³. Due to the financial and economic crisis, in 2009 in real terms exports of goods declined over those in 2007 by 17.7% and imports of goods by 18.4%. However, the first positive trade balance was achieved in 2009 (675,9 million EUR, current prices) and continued to 2016 (3832,5 million EUR, current prices) and is as well prognosed for the following three years (2017 – 2019).

Figure 6: External balance of goods and services, forecasts 2017 - 2019

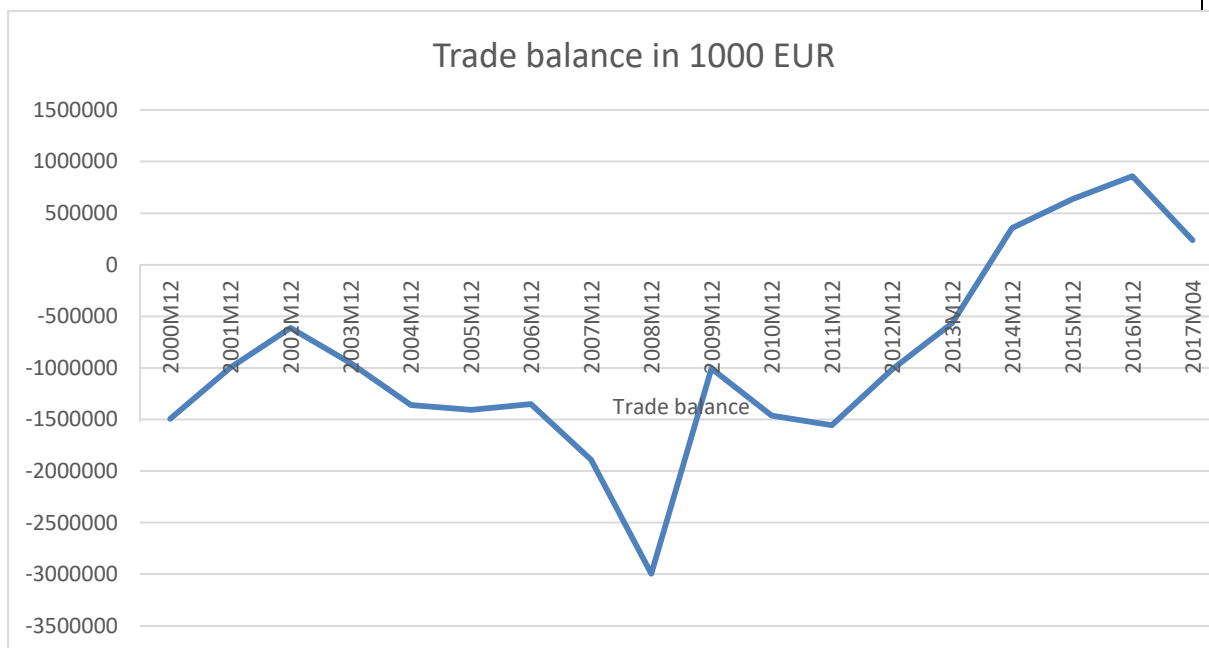


Source: IMAD, 2017

In comparison to the EU the export of goods and services represent higher share of GDP as the European average. Slovenian economy is highly dependent on the outer countries, and as seen from the crises mostly on the trade balance with Germany.

In the observed period 2000 – 2017 (see graph below), Slovenia had a negative trade balance until 2014. The prognosis for the 2017 are showing the positive trade balance.

Figure 7: Trade balance in 1000 EUR (2000 – 2017, Slovenia)



Source: IMAD, 2017

As seen in the graph below, the Slovenian dependency on the German economy (1995 – 2015) is clearly marked. The positive trade balance can be observed from the moment when Germany imported more than exported to Slovenia.

Figure 8: Import (red) and export (blue) from Slovenia to Germany (1995 – 2015)

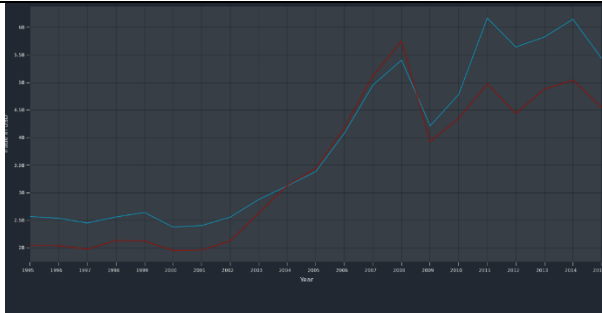
¹² Trade Indicators for Slovenia in 2015

Hirschman Herfindahl market concentration index was 0.08. Hirschman Herfindahl index is a measure of the dispersion of trade value across an exporter's partners. A country with trade (export or import) that is concentrated in a very few markets will have an index value close to 1. Similarly, a country with a perfectly diversified trade portfolio will have an index close to zero.

Index of export market penetration was 9.45. It is calculated as the number of countries to which the reporter exports a particular product divided by the number of countries that report importing the product that year.

World Growth (Annual percentage growth rate of the world's trade value (export or import), by sector, at market prices in current U.S. dollars) in percentage was -7.87 and Slovenia Country Growth was -7.21 (Annual percentage growth rate of the country's trade value (export or import), by sector, at market prices in current U.S. dollars).

¹³ Exports and imports cover the treatment of goods for processing as the exports or imports of the processing service without the value of goods. The export value of goods is calculated by FOB and the import value of goods is reduced from CIF to FOB according to data provided by the Bank of Slovenia. Exports and imports of services are taken from the balance of payments according to data and methodology of the Bank of Slovenia (Source: SURS)



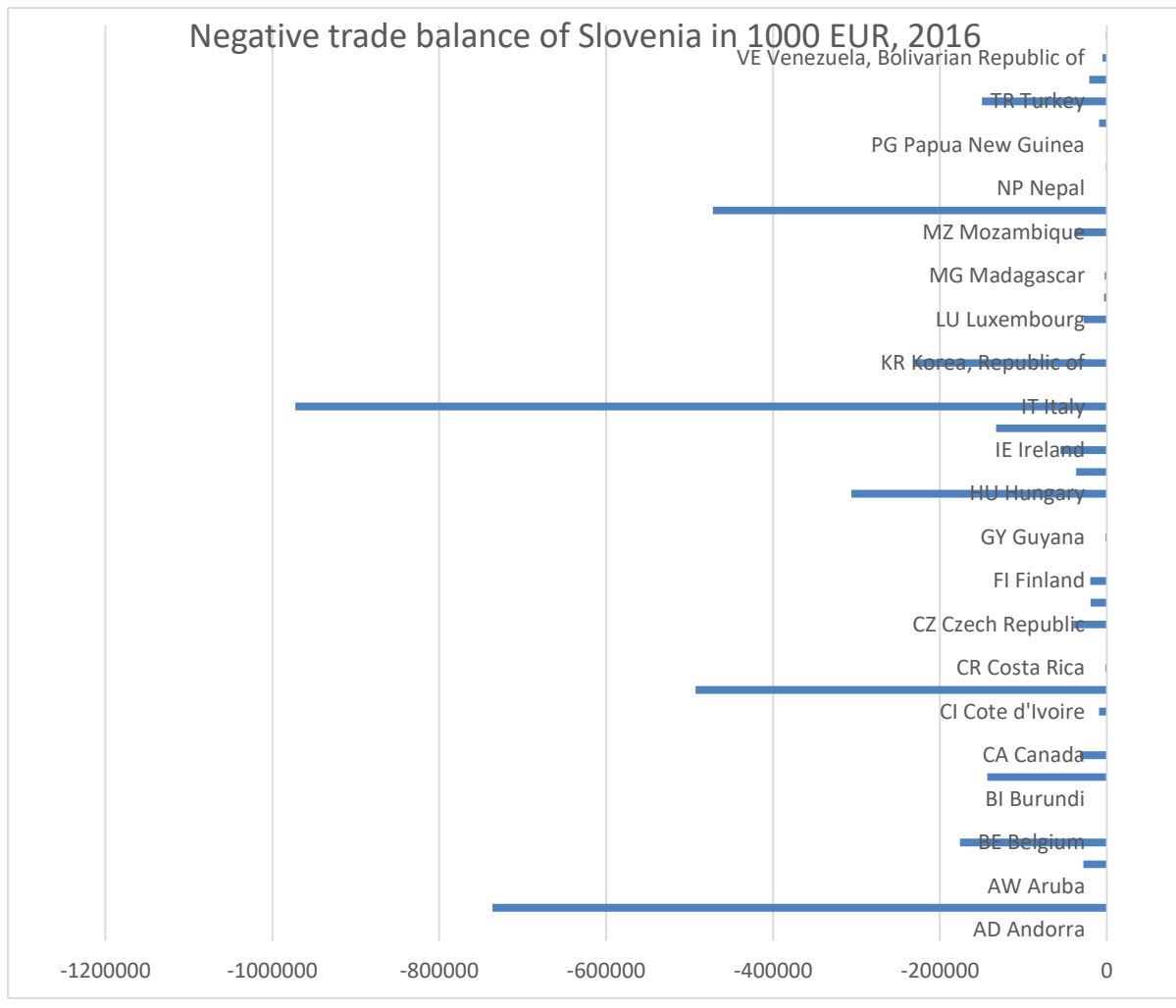
Source: <https://atlas.media.mit.edu/en/>

Trade balance Slovenia to China shows the negative trends, which have exponential growth since 2004. Trade balance to Italy is also negative, Slovenia imported in the whole observed period 1995 to 2015 more than exported.

Trade balance to Croatia, Serbia and Macedonia is positive, Slovenia exports more goods and services than imports.

In 2016 the biggest negative trade balance for Slovenia was recorded with Italy, Austria, China, Netherlands, Hungary, Korea, Turkey, Brazil and India.

Figure 9: Negative trade balance of Slovenia in 1000 EUR in 2016

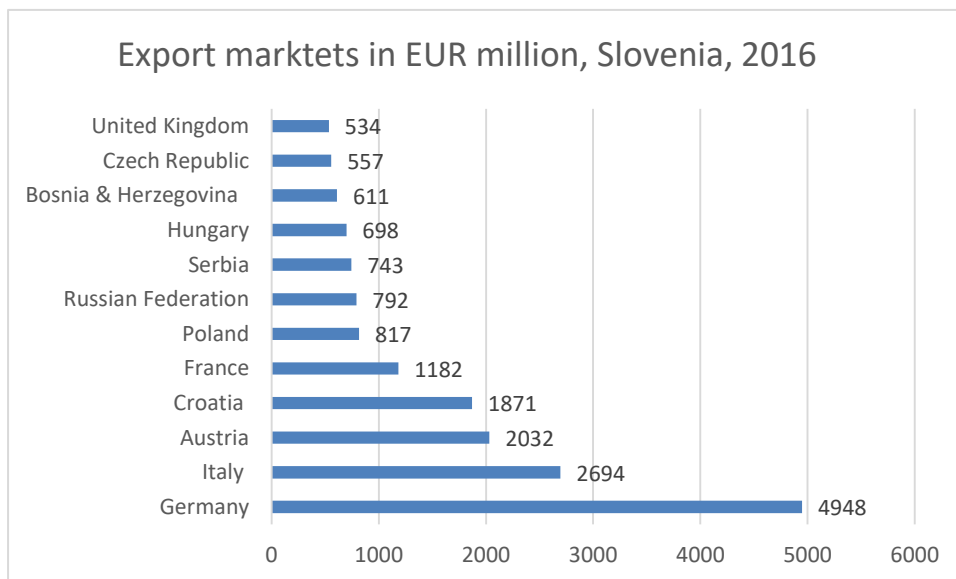


Source: SORS, 2016, own calculations

2.4 TOP SLOVENIAN EXPORT MARKETS

In 2016 the most important Slovenian export markets were Germany, Italy, Austria, Croatia and France, to which the exports amounted to 12.727 million EUR (total: 23.966 million EUR). Slovenia imported from Germany, Italy, Austria, Croatia and Hungary 13.171 million EUR (total: 23.208 million EUR). The positive trade balance with Germany is reflected in the surplus of exports.

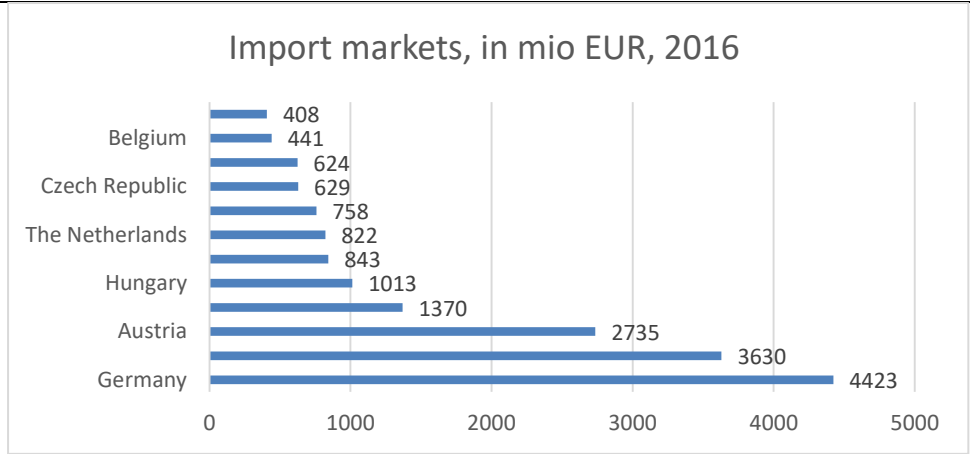
Figure 10: Export markets in EUR million, Slovenia, 2016



Source: SORS, 2016

Slovenian imported most goods and services from Germany, Italy, Austria, Croatia and Hungary (13.171 million EUR of total 23.208 million EUR).

Figure 11: Import markets, in million EUR, 2016



Source: SORS, 2017

Table 3: Slovenian main export and import markets, 2015

Export Markets	EUR million	Import Markets	EUR million
Germany	4948	Germany	4423
Italy	2694	Italy	3630
Austria	2032	Austria	2735
Croatia	1871	Croatia	1370
France	1182	Hungary	1013
Poland	817	France	843
Russian Federation	792	The Netherlands	822
Serbia	743	China	758
Hungary	698	Czech Republic	629
Bosnia & Herzegovina	611	Poland	624
Czech Republic	557	Belgium	441
United Kingdom	534	Spain	408
TOTAL export	23.966	TOTAL import	23.208
Source: Statistical Office of the Republic of Slovenia; 2016			

Slovenia is the 62nd largest export economy in the world and the 12th most complex economy according to the Economic Complexity Index (ECI) (source:

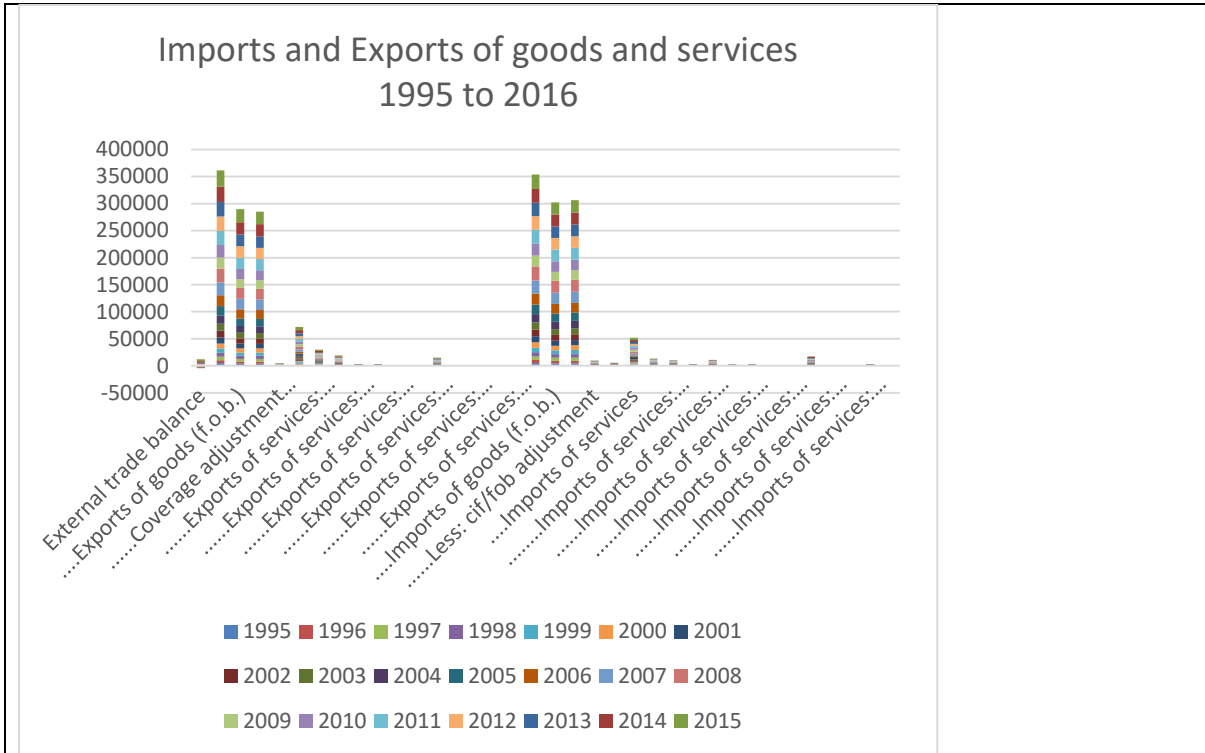
<http://atlas.media.mit.edu/en/profile/country/svn/>). In 2015, Slovenia exported \$27.4B and imported \$27B, resulting in a positive trade balance of \$392M. In 2015 the GDP of Slovenia was \$42.8B and its GDP per capita was \$32k.

Figure 12: GDP, Export and Import of goods and services, Slovenia, 2000 - 2019



Source: SORS; 2017, own calculation

Figure 13: GDP, Export and Import of goods and services, 1995 to 2016



Source: SORS, 2017, own calculations

In 2015 Slovenia exported 60% of goods and service (as % of GDP) and in 2016 79%. The imports were in 2005 60% and in 2016 69% of GDP. According to the European Innovation Scoreboard, the medium and high-tech product exports reached the EU average level (102.3%) in 2016. The knowledge-intensive services exports is still fare beyond the EU level (in 2016 : 34.6%). The sales of new-to-market/firm innovations dropped from 2010 to 2016 to the 91.8% of the European average.

Most important Slovenian exporting region is European Union as well as EU non-member countries as shown in the table below.

Table 4: Exports and imports by country economic groups, Slovenia, cumulative data

		2016M12	
		Exports	Imports
1000 EUR	Economic groups - TOTAL	24970786	24111658
	European Union (EU)	19088353	19526397
	EU non-member countries	5882433	4585261
	European Monetary Union (EMU)	13220069	14675348
	EMU non-member countries	11750717	9436309

Source: SORS, 2017

The top five Slovenian exporting markets in 2015 were Germany, Italy, Austria, Croatia and Slovenia.

Figure 14: Trade in goods by top 5 partners of Slovenia, 2015, exports



Source: SORS, own calculations

In export of goods the best performers in years 2008 – 2015 were Osrednjaslovenska region with average of 5115,5 million EUR, followed by Jugovzhodna Slovenija with 2957 million EUR and Podravje with 2249.9 million EUR.

Figure 15: Export of goods in million EUR, 2008 – 2015, by Slovenian NUTS III regions



Source: SORS, 2017, own calculations

The total export of goods in 2015 in Slovenia was 21.400 million EUR, of which 2.572 million EUR in Podravje region.

Slovenian export of goods and services in the period 2000 – 2016 had a decline in 2008 due to the global crises. It was mostly affected by German decrease of imports. However, after 2011 the export had a steady but constant grow and in comparison, to 2000 more than doubled.

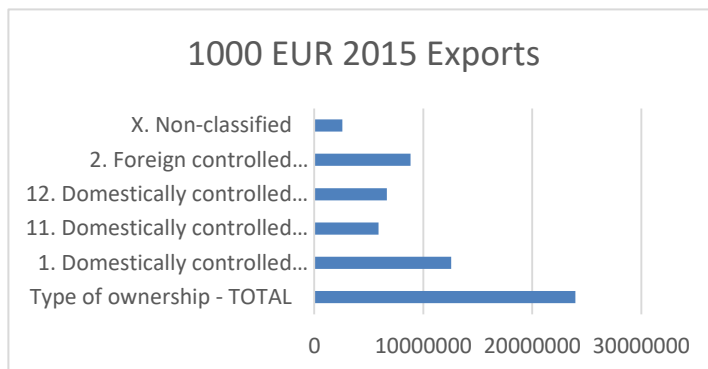
Figure 16: Slovenian exports 2000 - 2016



Source: SORS, 2017

Structure of exports and imports by ownership of the exporters are shown in the table below. According to the number of foreign controlled enterprises (in total of all), they export more as domestically controlled enterprises. However, in 1000 EUR their export is lower than of the domestically owned companies.

Figure 17: Exports by type of ownership, Slovenia, 2015

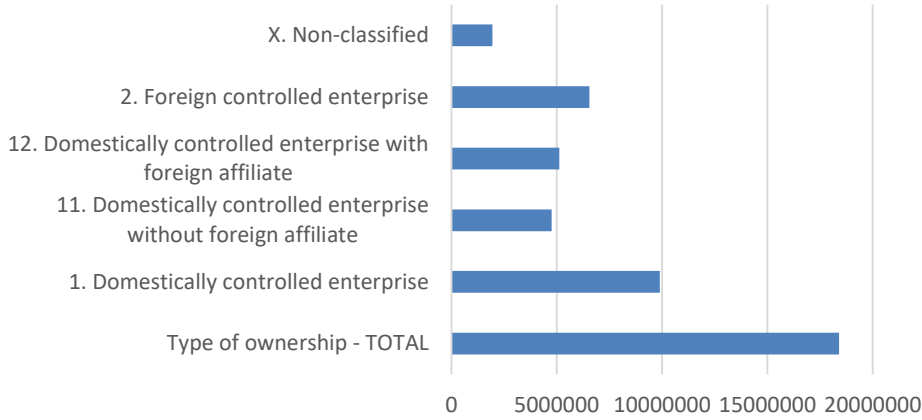


Source: SORS, 2017

Also by the export to EU per type of ownership it can be observed that the foreign controlled enterprises exhibit higher exporting activities.

Figure 18: Export to EU per type of ownership, 2015, Slovenia

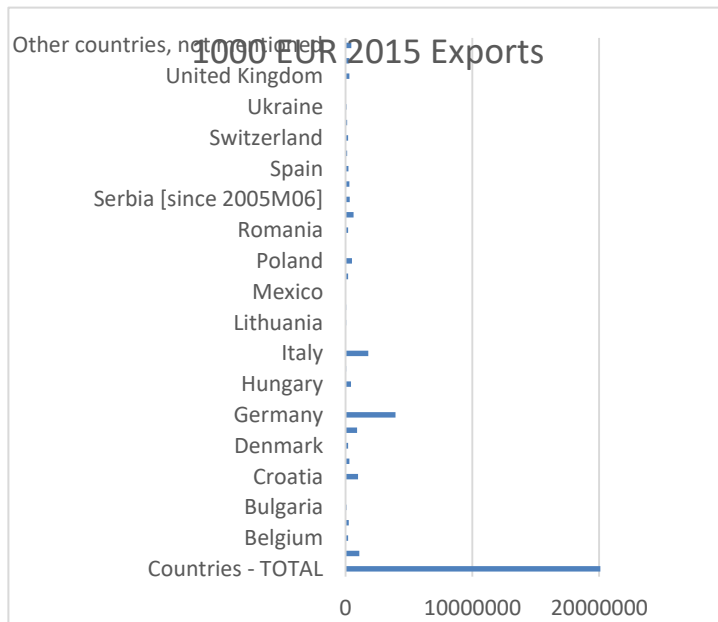
Export to European union per type of ownership, 2015, Slovenia



Source: SORS, 2017, own calculations

Most important Slovenian export markets are in the Europe and next to the European Union, with ties to former Yugoslavian market remaining strong. The important third country markets are Russian Federation and USA.

Figure 19: Slovenian exports in 2015 per countries

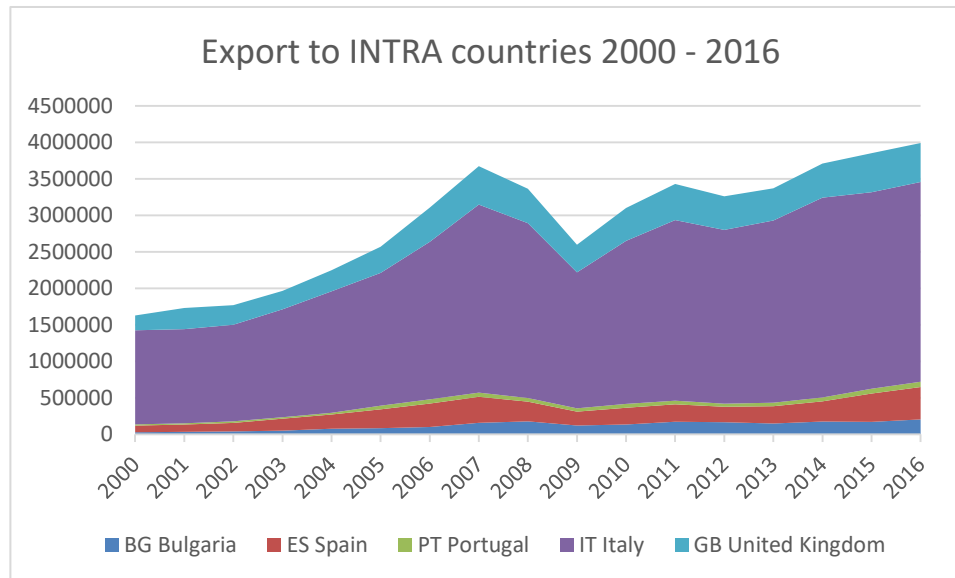


Source: SORS, 2017, own calculations

2.5 EXPORT TO INTRA COUNTRIES

The export to INTRA countries (BG, ES, UK, IT, GB, PT) grew for 2.45 times from 2000 to 2016, although there was a massive decline in 2008 and 2009. The biggest share of export goes to Italy.

Figure 20: Slovenian export to INTRA countries 2000 - 2016

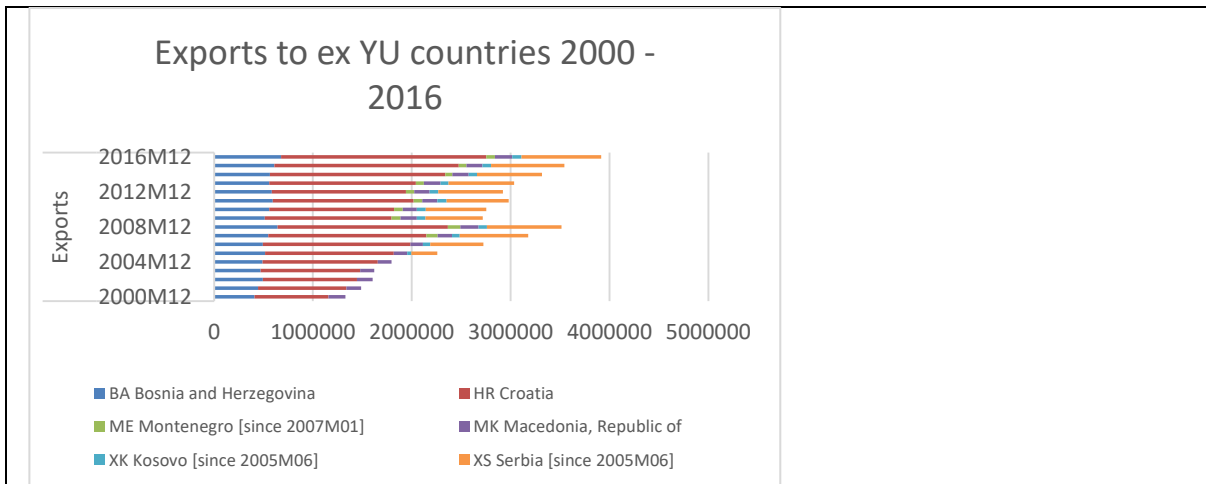


Source SORS, 2017, own calculations

2.6 EXPORT TO EX YUGOSLAVIAN COUNTRIES

Exports to former Yugoslavian countries (Bosnia and Herzegovina, Croatia, Montenegro, Macedonia, Kosovo and Serbia) are shown in the graph below. From 2006 the exports were tripled to Serbia (2016: 7594712) and 2.7 doubled in comparison with 2000 to Croatia (2016: 23417851).

Figure 21: Slovenian export to former YU countries 2000 - 2016



Source: SORS, 2017, own calculations

2.7 MAIN EXPORTING GOODS

Slovenia shipped US\$32.9 billion worth of goods around the globe in 2016, up by 21.5% since 2012 and up by 23.7% from 2015 to 2016.

Top Slovenia Exports 2016 were vehicles (6.5 billion US\$), electronic equipment (3.7billion US\$), machinery \$3.4 billion and pharmaceuticals \$2.7 billion.

Figure 22: Slovenian top exporting markets in 2016



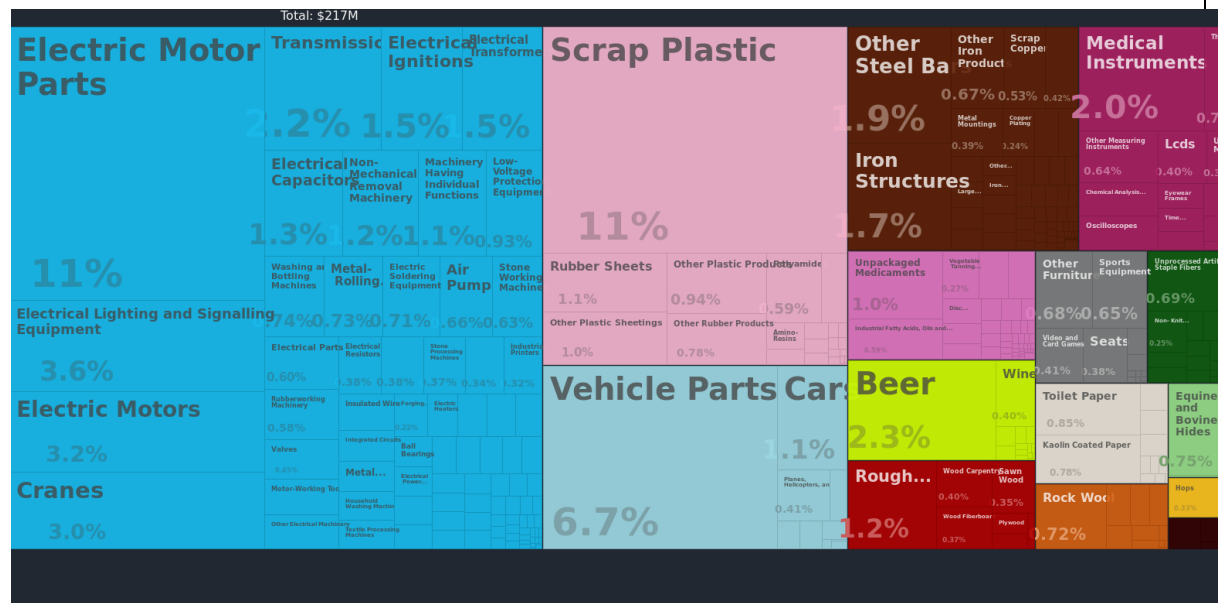
Source: SORS, 2017, own calculations

According to the Standard International Trade Classifications, Slovenia main exports in 2016 were in Machinery and Transport Equipment, Manufactured goods classified chiefly by



materials, Chemicals and related products, Road vehicles, Medicinal and Pharmaceutical products and the Electrical machinery, apparatus and appliances.

Figure 23: Top Slovenian exporting goods and services



Source: <http://atlas.media.mit.edu>

The top exports of Slovenia are [Cars](#) (\$2.38B)¹⁴, [Packaged Medicaments](#) (\$2.23B)¹⁵, [Vehicle Parts](#)(\$905M)¹⁶, [Refined Petroleum](#) (\$758M)¹⁷ and [Electricity](#)(\$561M)¹⁸. The top export destinations of Slovenia are [Germany](#) (\$5.44B), [Italy](#) (\$3.05B), [Croatia](#) (\$2.15B), [Austria](#) (\$2.15B) and [France](#) (\$1.32B).

¹⁴ Cars (autos, automobiles, vehicles, snowmobiles, golf cars) are the 2nd most traded product on the global scale. The top exporters of Cars are Germany (\$153B), Japan (\$93.6B), the United States (\$57.3B), Canada (\$44.9B) and South Korea (\$41.9B). The top importers are the United States (\$169B), the United Kingdom (\$49.9B), Germany (\$46.7B), China (\$38.5B) and France (\$29.6B). Cars are the top export of Germany, Japan, Mexico, Belgium-Luxembourg, Spain, the Czech Republic, Hungary, Slovakia, Slovenia and Morocco. Cars are the top import of the United States, Germany, the United Kingdom, France, Canada, Italy, Belgium-Luxembourg, Australia, Turkey and Russia.

¹⁵ Packaged Medicaments are the 6th most traded product and the 322nd most complex product according to the [Product Complexity Index \(PCI\)](#).

The top exporters of Packaged Medicaments are [Germany](#) (\$50.3B), [the United States](#) (\$38.6B), [Switzerland](#) (\$31.9B), [Ireland](#) (\$31B) and [France](#) (\$24.3B). The top importers are [the United States](#) (\$64.6B), [Germany](#) (\$24.1B), [Belgium-Luxembourg](#) (\$23.5B), [the United Kingdom](#) (\$21B) and [Japan](#) (\$16.6B). Packaged Medicaments are the top export of [Italy](#), [Ireland](#), [Austria](#) and [Denmark](#).

Packaged Medicaments are the top import of [Uzbekistan](#), [Georgia](#), [the Democratic Republic of the Congo](#) and [Chad](#). Packaged Medicaments are also known as medicine, antibiotics, penicillin, streptomycin, insulin, hormones, alkaloids.

¹⁶ Vehicle Parts are the 7th most traded product on the global scale. The top exporters of Vehicle Parts are Germany (\$56.2B), the United States (\$38.4B), Japan (\$30.3B), China (\$28.2B) and Mexico (\$25.6B). The top importers are the United States (\$66.7B), Germany (\$34.9B), China (\$23.8B), Mexico (\$23.4B) and Canada (\$19.7B). Vehicle Parts are the top export of Poland and Romania. Vehicle Parts are the top import of Mexico, the Czech Republic, Hungary, Slovakia, Romania and Serbia. Vehicle Parts are also known as car parts, auto, gauges, meters, sensors, starters, switches, alternator, muffler.

¹⁷ Refined Petroleum is the 3rd most traded product and the 966th most complex product according to the [Product Complexity Index \(PCI\)](#).

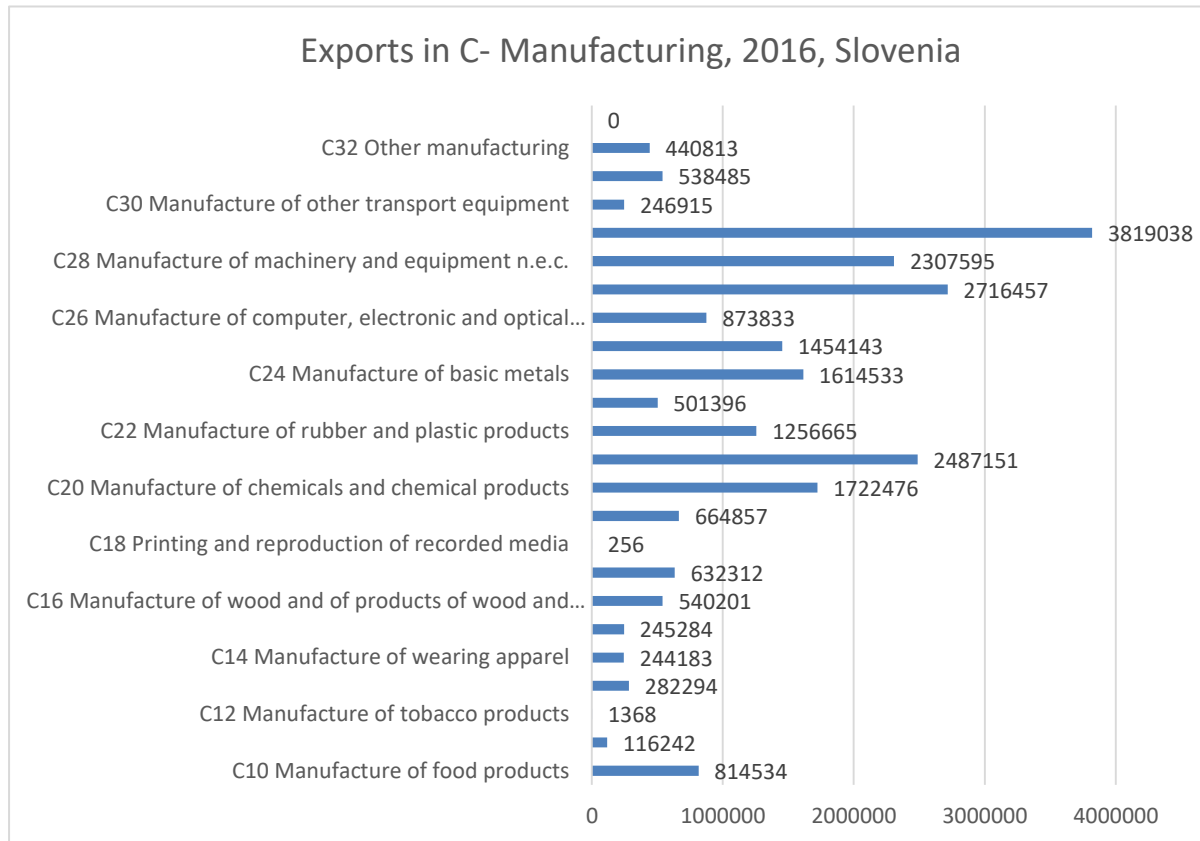
The top exporters of Refined Petroleum are [the United States](#) (\$68.1B), [Russia](#) (\$57.5B), [the Netherlands](#) (\$38.3B), [Singapore](#) (\$37.7B) and [South Korea](#) (\$29.5B). The top importers are [the United States](#) (\$45.5B), [Singapore](#) (\$39.3B), [the Netherlands](#) (\$34.9B), [the United Kingdom](#) (\$20.2B) and [Germany](#) (\$19.5B).

Refined Petroleum is the top export of [the United States](#), [the Netherlands](#), [India](#), [Sweden](#), [Portugal](#), [Greece](#), [Bulgaria](#), [Belarus](#), [Lithuania](#) and [Croatia](#). Refined Petroleum is the top import of [the Netherlands](#), [Brazil](#), [Indonesia](#), [Egypt](#), [Chile](#), [Colombia](#), [Pakistan](#), [Nigeria](#), [Peru](#) and [Morocco](#). Refined Petroleum is also known as oil, bituminous, diesel, gasoline, gas, kerosene, jet fuel, white spirit, aviation, fuel.

¹⁸ The top exporters of Electricity are [Germany](#) (\$4.55B), [France](#) (\$3.81B), [Canada](#) (\$2.42B), [Paraguay](#) (\$2.01B) and [Switzerland](#) (\$1.95B). The top importers are [Italy](#) (\$3.78B), [the United States](#) (\$2.55B), [Germany](#) (\$1.77B), [Switzerland](#) (\$1.76B) and [Brazil](#) (\$1.72B). Electricity is the top export of [Paraguay](#) and [Laos](#). Electricity is the top import of [San Marino](#). Electricity is also known as electricity, power, hydro, renewable, wind, solar.

As observed, the most exports were in the NACE C – Manufacturing, out of which in C29 Manufacture of motor vehicles, trailers and semi-vehicles, C27 Manufacture of electrical equipment, C21 Manufacture of basic pharmaceutical products and C28 Manufacture of machinery and equipment.

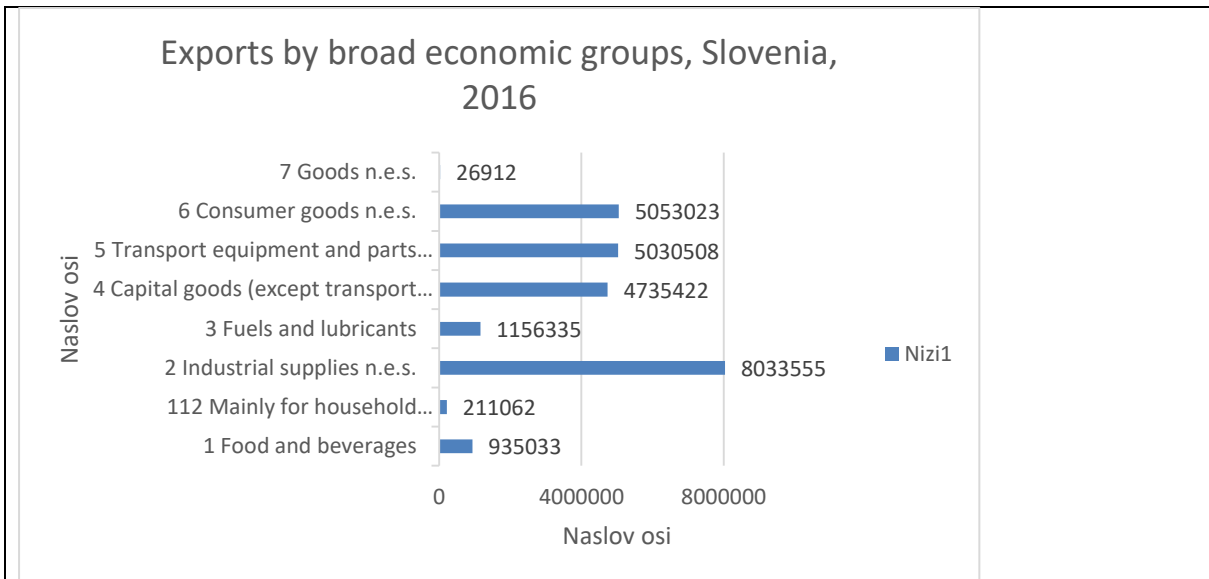
Figure 24: Slovenian exports in activity group C - Manufacturing



Source: SORS, 2017, own calculations

According to the Broad Economic Categories, the exports in 2016 are presented in the graph below.

Figure 25: Exports by broad economic groups, Slovenia, 2016



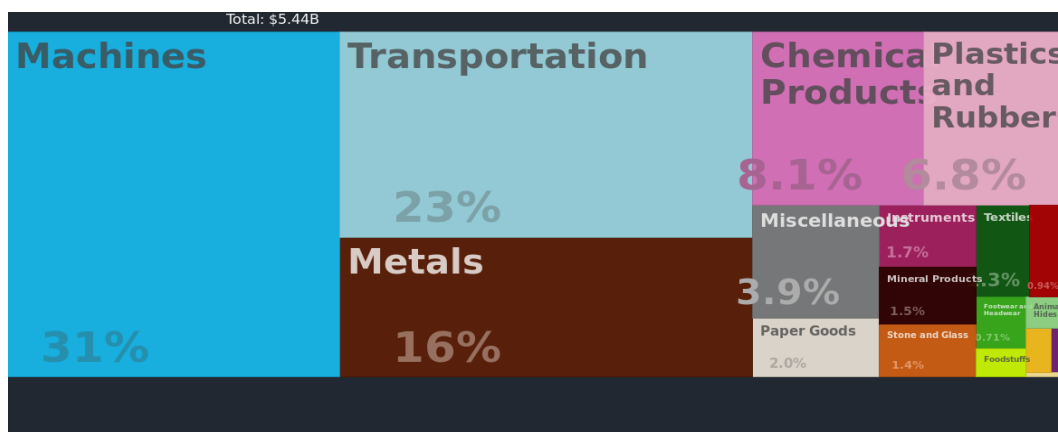
Source: SORS, 2016, own calculations

The highest exports were in industrial supplies, consumer goods, transport equipment and parts and capital goods.

2.8 EXPORT TO GERMANY, ITALY, AUSTRIA, CROATIA AND CHINA

The Slovenian export portfolio to Germany (in 2015: total of 5.44 billion \$) shows that the highest rate of exports was for Machines (31%), Transportation (23%), Metals (16%), Chemical Products (8,1%), and Plastic and Rubbers (6.8%)

Figure 26: Slovenian export portfolio to Germany



Source: Simoes and Hidalgo, 2011

Second most important Slovenian export market is Italy. Slovenia exported to Italy (in 2015) 3.05 billion \$, of which 19% worth of metals, 12% Mineral Products, 9.7% Machines, 9.1% Transportation, 8.2% Instruments, 7.4 Plastics and Rubbers, 6.1% Foodstuffs, 5.7% Chemical Products and 5.9% Wood products.

The third most important export market is Austria to which Slovenia exported 2.15 billion \$, of which 19% Machines, 18% Mineral Products, 14% Metals, 8.4% Transportation, 8.0% Wood products, 5.2% Chemical Products, 5.1\$ Plastics and Rubbers, 4.7% Textile, 4.5% Paper Goods.

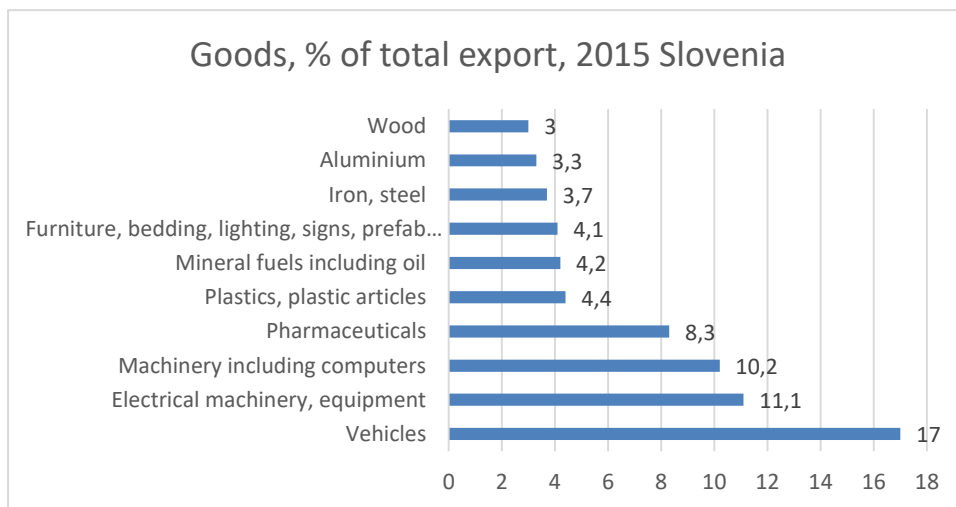
The fourth most important export market is Croatia, to which 2.15 billion \$ were exported in 2015, of which 23% worth of Mineral Products, 13% Machines, 12% Chemical products, 9.1% Transportation, 7.5% Metals, 6.3% Plastics and rubbers, 5.2 Foodstuffs.

Export to China is becoming significant in the last decade and amounted to 217 million \$ in 2015. The export portfolio shows: 43% machines, 16% Plastics and Rubbers, 8.6% Transportation, 8.0 Metals, 5.9% Instruments, 3.2% Chemical products, 2.9% Foodstuff, 2.6% Wood Products, 2.1% Textiles, 2.1% Paper Goods.

2.9 EXPORT BY PRODUCT GROUPS

The export product groups that represent the highest dollar value in Slovenian global shipments during 2015 are presented in the table below.

Figure 27: Exporting goods, 2015



Source: SORS, 2017, own calculations

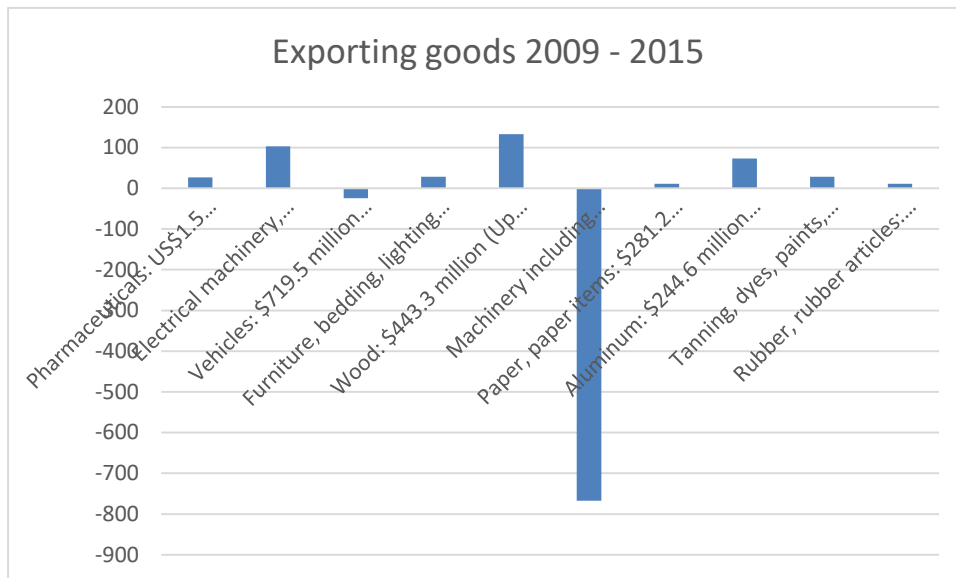
Iron and steel was the fastest-growing among the top 10 export categories, up in value by 101.9% for the 7-year period starting in 2009. In second place for improving export sales were mineral fuels including oil, up by 88.9%.

Slovenian exported plastics posted the third-fastest gain in value up by 84% while international sales of vehicles gained 60% in value from 2009 to 2016.

The slowest-growing Slovenian export category was machinery including computers, up by a respectable 18.5%.

Overall, Slovenia garnered a \$2.4 billion trade surplus for 2015 reversing a -\$1.5 billion deficit in 2009. The following types of Slovenian product shipments represent positive net exports or a trade balance surplus.

Figure 28: Slovenian exporting goods 2000 - 2015

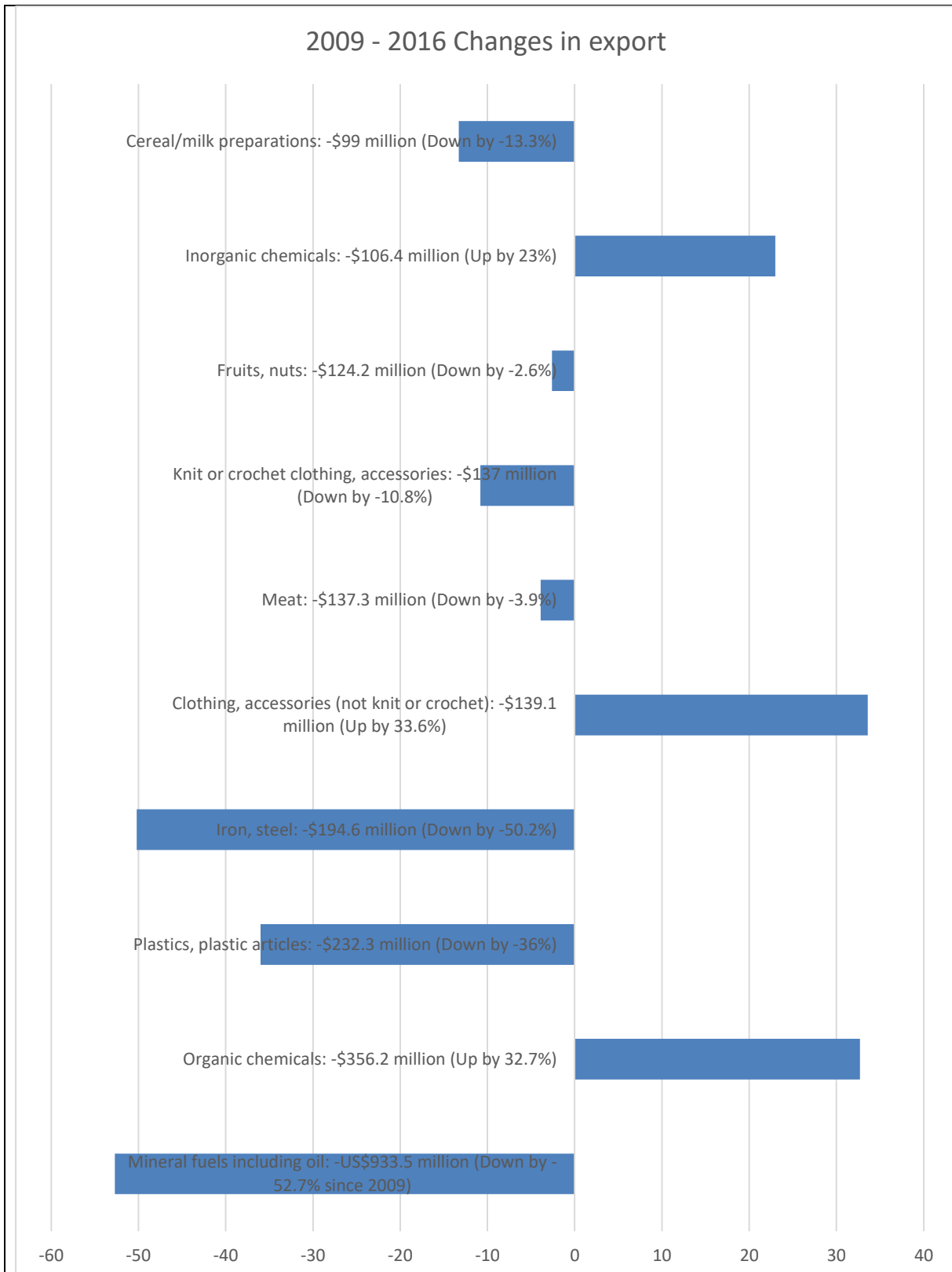


Source: SORS, 2017, own calculations

Slovenia has highly positive net exports in the international trade of drugs and medicines. In turn, these cashflows indicate Slovenia's strong competitive advantages under the pharmaceuticals product category.

Below are exports from Slovenia that result in negative net exports or product trade balance deficits. These negative net exports reveal product categories where foreign spending on home country Slovenia's goods trail Slovenian importer spending on foreign products.

Figure 29: Changes in export from 2009 to 2016



Source: SORS, 2017, own calculations

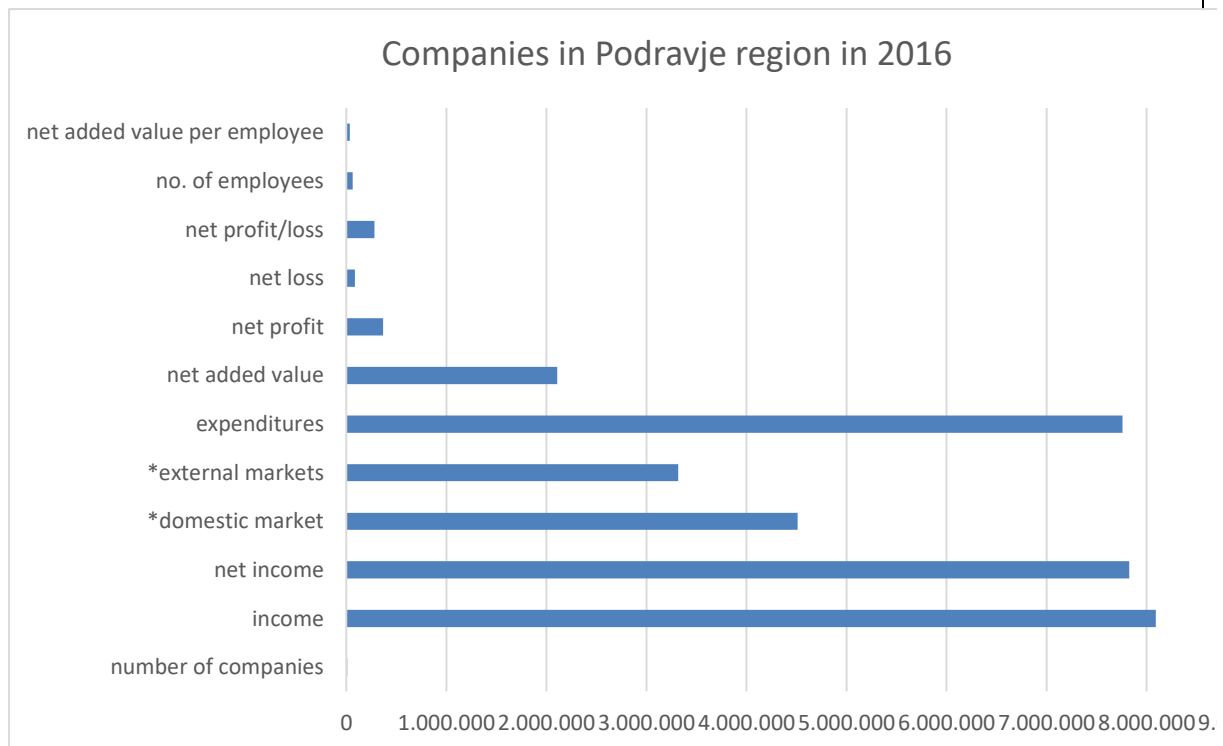
Slovenia has highly negative net exports and therefore deep international trade deficits for fossil fuel products, particularly refined oils and petroleum gases.

2.10 PODRAVJE EXPORTS

Podravje`s companies concluded 2015 and 2016 with net profit. Among them were 94,0% micro (decrease for 0.3%), 4.3% small (increase for 1.6%), 1.3% medium (increase for 0.3%) and 0.5% (decrease for 0.3%) big companies.

From 2012 the export increased from 2.836.744.000 EUR in 2012 to 3.317.855.000 EUR in 2016. The biggest contribution to the increase was by middle-sized companies (net profit increase for 68%). Although the biggest companies still have the biggest share of net profit, it decreased in comparison to the year 2014 for ¼.

Figure 30: Companies in Podravje region in 2016



Source: AJPES, 2017

Net income at foreign markets was generated by 2.634 companies. 37 large companies contributed 55,6%, and 69 medium-sized 15.7% to all revenues on foreign markets.

The main exporters were 644 manufacturing companies, which represent 76.2% of total regional exports. 689 companies in the field of trade, maintenance and repair of motor vehicles had an 8.9% share on the non-domestic market and 316 companies in construction sector had share of 5.5%. 76 companies, active in the field of Electricity, gas and steam generated 10% of the regionals net profit.

The most active companies are settled in Maribor, Slovenska Bistrica, Ptuj and Ruše. However, in Municipality Maribor the companies generated 62.9% share of regional net loss, the highest was in the sector of Water supply, sewage and waste management (for 2.4 times).

Most important export market for Podravje region in 2015 was Germany, where the export amounted to 741.048.453 EUR (29,8% of the total export). From the table below, it is observable that by the export, traditional markets are in forefront, among them also markets outside the EU (BiH and Serbia).

Table 5: Top 10 export markets for Podravje region in 2015

Rang	Country	Export	Growth in %	Share in %
1	Germany	741.048.453	-1,9	28,8
2	Austria	455.520.399	4,5	17,8
3	Italy	254.461.411	-11,1	9,9
4	Croatia	162.698.339	32,1	6,3
5	Czech Republic	93.849.252	-7,4	3,6
6	Hungary	83.040.104	12,4	3,2
7	Poland	79.388.777	46,6	3,1
8	BiH	65.783.309	49,1	2,6
9	France	64.245.389	-15,5	2,5
10	Serbia	52.184.029	27,5	2

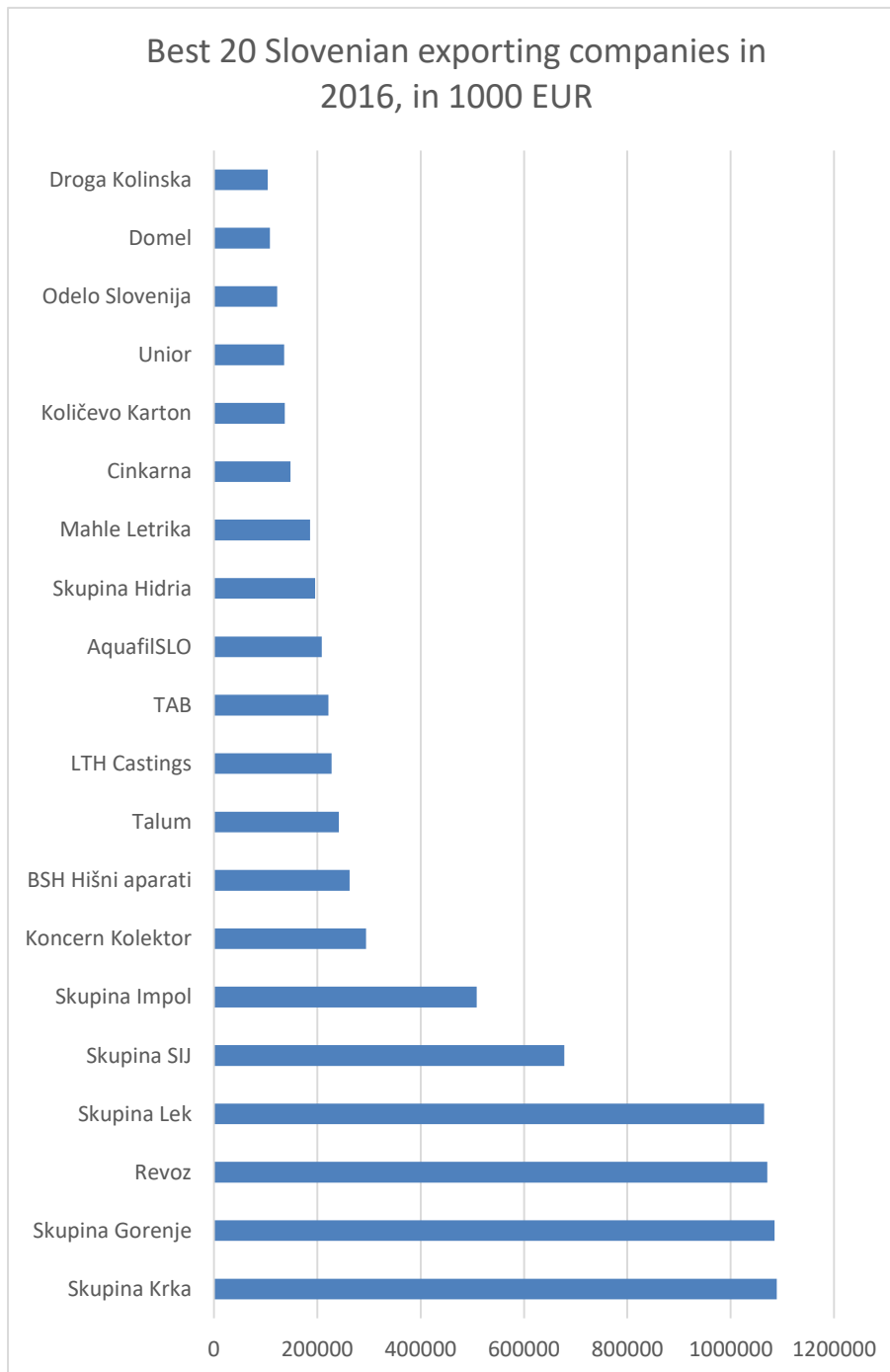
Source : SORS, calculation by Slovenian Chamber of Commerce, 2016

2.11 BEST 20 SLOVENIAN EXPORTERS

Krka`s basic line of business is the production and sale of prescription pharmaceuticals, non-prescription products and animal health products (<https://www.krka.biz/en/>). Krka`s focus is on the development of high-quality own brand generic pharmaceuticals. It is a leading Slovenian export company according to the Delo`s 2016 survey (daily newspaper). Krka is closely followed by Gorenje Group, Revoz and Lek. Gorenje Group is one of the leading European home appliance manufactures with a history spanning over 60 years. It builds its global presence on two brands: Gorenje, which includes the entire range of home products of the upper-mid price range, and Asko, which is positioned as a global premium brand. In addition, Gorenje Group has six regional or local brands covering all price ranges. Technologically perfected, superiorly designed and energy-efficient home appliances

elevate the quality of living for the users in 90 (ninety) countries around the globe (www.gorenje.com). Gorenje`s export growth from 2015 to 2016 was around 3 % and 35,7 million EUR behind the Krka.

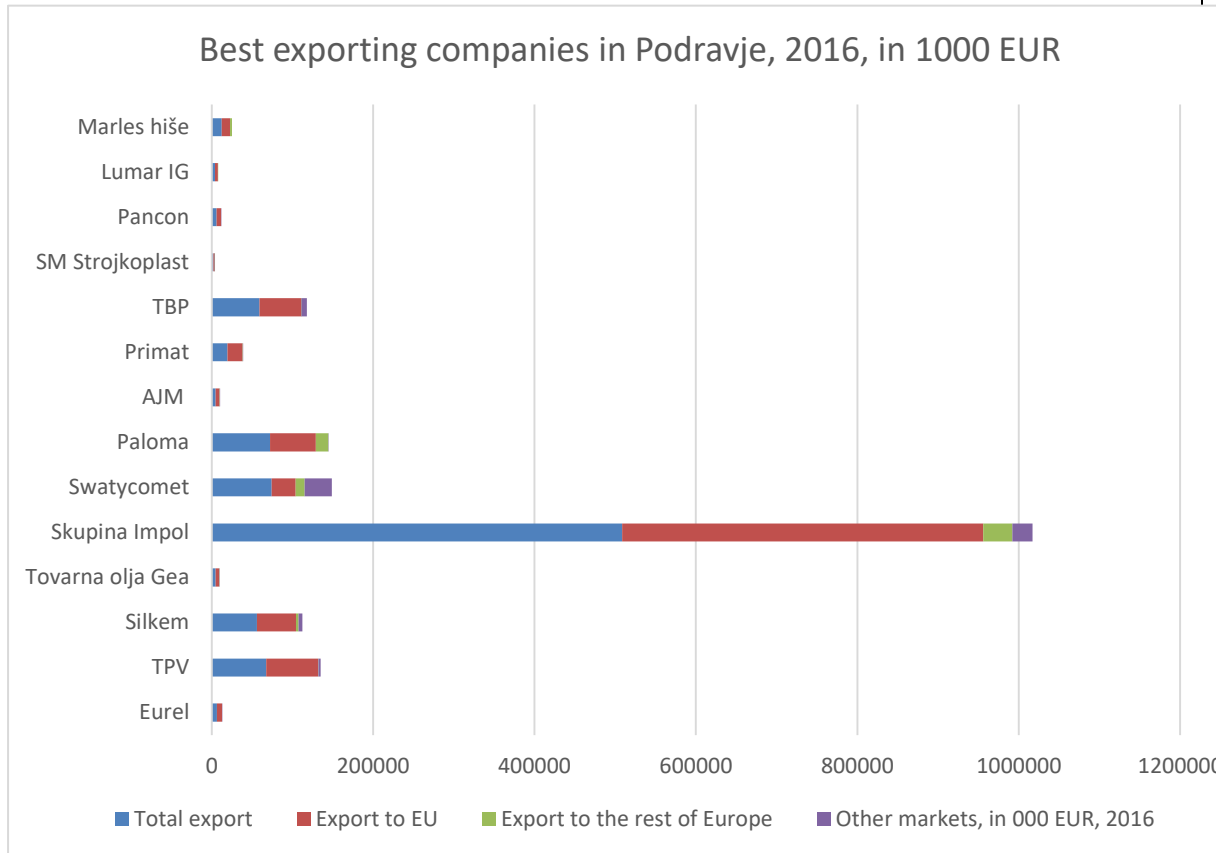
Figure 31: Best Slovenian export companies



Source: Delo, 2017

Best exporting companies of Podravje region in 2016 are depicted in the graph below, among which the Group Impol (Skupina Impol) is the biggest exporter to the EU. Highest exports to the third markets exhibit Swatycomet.

Figure 32: Best exporting companies in Podravje



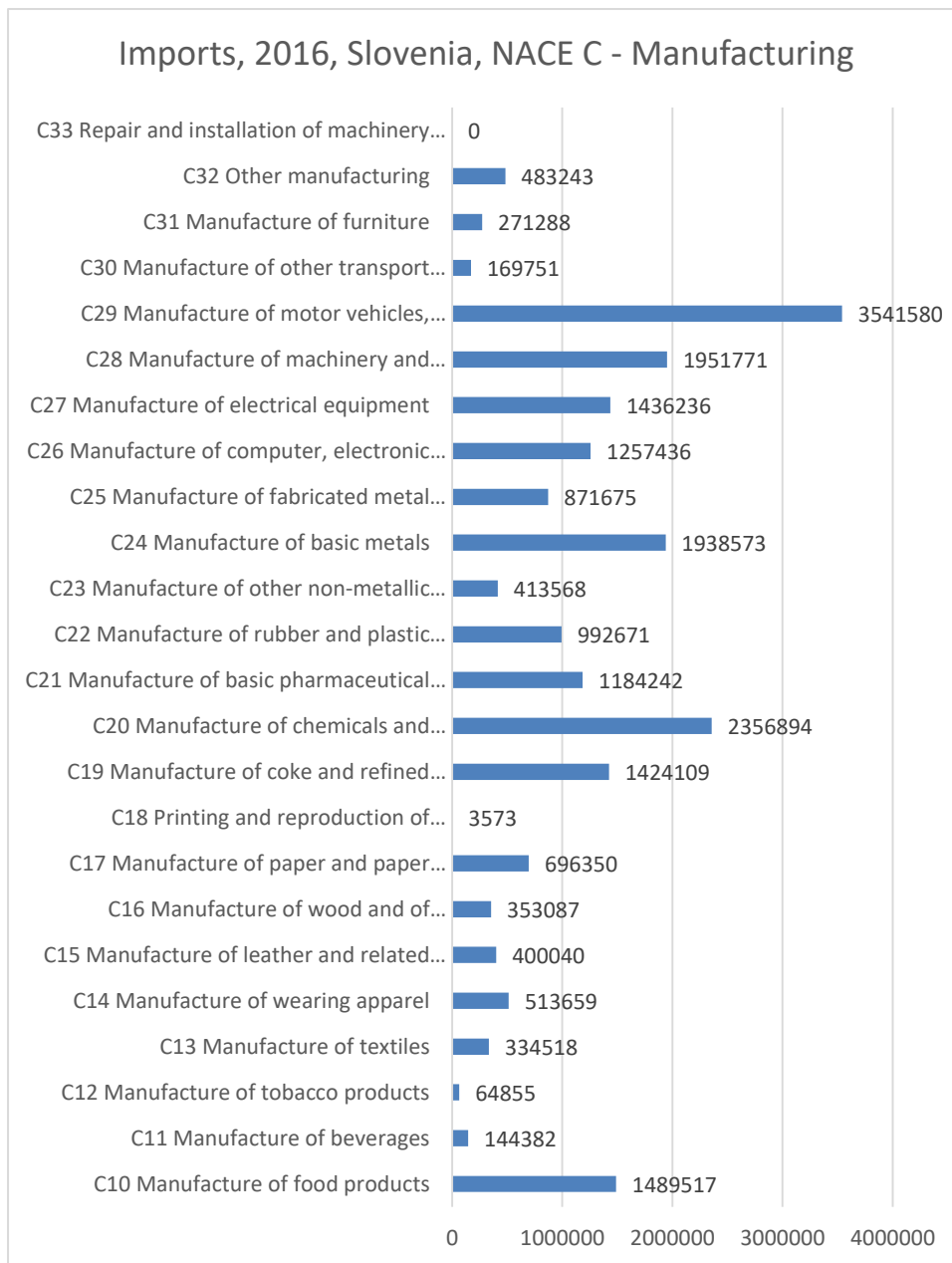
Source: Delo, 2017

2.12 SLOVENIAN IMPORTS

The highest share of imports in 2016 was in Manufacturing, of which the highest three in Manufacture of motor vehicles, of chemicals and machinery. The imports of food products are higher than import of pharmaceuticals.

Top Slovenian imports in 2015 were vehicles, machinery, electronic equipment, mineral fuels including oil, plastic, iron and steel, pharmaceuticals, aluminium, furniture and iron/steel products.

Figure 33: Imports, 2016, NACE C - Manufacturing

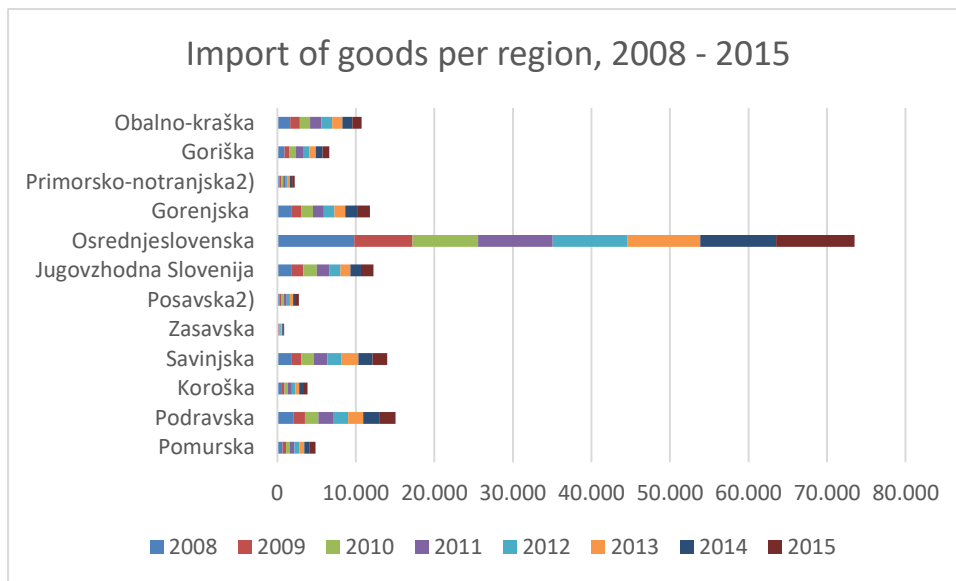


Source: SORS 2017, own calculations

2.13 IMPORTS PER REGION

Osrednjeslovenska region is marked with the highest imports for the whole observed period 2008 – 2015. Podravje region is the second biggest importing Slovenian region. The lowest imports can be observed in Zasavje and Posavje region where there is also a smaller number of companies settled.

Figure 34: Import of goods per region, 2008 - 2015



Source: SORS, 2017

Most important import countries for Podravje region are traditional markets such as Germany, Austria, Italy, Croatia, with latter the trade balance is positive. Negative trade balance is with Serbia as well as Bosnia and Hercegovina. It is observable that China is on the 9th place of top 10 countries from which Podravje is importing goods and services (3% of the total import).

Tabel 6: Import to Podravje

Rang	Country	Import	Growth rate in %	Share in %
1	Germany	454.489.980	-2,5	22,5
2	Austria	357.966.228	6,9	17,3
3	Italy	177.498.727	-9	8,6
4	Croatia	95.889.158	-3,7	4,6
5	BiH	93.488.573	49,4	4,5
6	Serbia	88.926.963	11,2	4,3
7	Hungary	73.907.848	-27,6	3,6
8	Netherland	62.425.082	6,8	3
9	China	61.756.775	24,5	3
10	Czech Republic	56.175.580	12,1	2,7

Source: SORS, calculations by Slovenian Chamber of Commerce

3. INTERNATIONALISATION ENVIRONMENT

3.1 LEGISLATIVE FRAMEWORK, STRATEGIC DOCUMENTS AND UNMET OBJECTIVES

Based on the Promotion of Foreign Direct Investment and Internationalisation of Enterprises Act (Official Gazette of the RS no. 107/06 - UPB1, 11/11, 57/12 in 17/15) (further: ZSTNIIP), the Government adopted in May 2015 the Programme for internationalisation 2015 - 2020¹⁹ and two-yearly Action plan (International challenges 2015-2016²⁰ and International challenges 2017-2018²¹, further IC).

By the preparation of mentioned documents, the regional stakeholders were not involved. The Slovenian strategic objectives in the field of internationalisation are: increase exports by 5% annually, increase of GDP p.c. for 2-3% yearly, increase of export share in GDP on the yearly level as well as increase of export to the so called third markets for 5% on annual basis. Although the objectives are measurable, it can be seen from the table below that the target was not met neither in 2014 nor in 2015. Also by inward FDI the indicators did not meet the targeted value.

Table 7: Objectives of internationalisation and FDI as well as their attainments

Objective	2013	2014	2015	Objective 2020
Increase the share of export for 5% annually (export in million EUR)	27.566	28.518 (+3,5%)	30.059 (+5,4%)	47.243
Increase of GDP p.c. for 2-3% on annually basis in EUR	17.435	18.093 (+3,8%)	18.633 (+3,0%)	20.724
Increase of share of export in GDP (export/GDP in %)	75,2	76,5	n.p.	-
Increase the export to the non-EU markets for 5% annually (export in million EUR)	5.400	5.424 (+0,4%)	5.544 (+2,2%)	7.598
At least preserve the share of inward FDI in GDP (in %)	25,7	24,8	27,7	25,7

Source: Programme for internationalisation 2015 – 2020, Slovenia

¹⁹

http://www.mgrt.gov.si/fileadmin/mgrt.gov.si/pageuploads/SEKTOR_ZA_INTERNACIONALIZACIJO/Internacionalizacija_TNI/Program_INTER_2015-2020_koncna.pdf;

The internationalisation measures for the 2017-2018 are almost the same as already implemented in the Action plan for 2015 and 2016. In the programme 2017-2018 are on national level the following measures foreseen as presented in the table below.

Table 8: Internationalisation measures

No..	Measure	Description
1	<i>Online info</i>	Info on markets, business opportunities, industries
2	<i>Advertising and promotional materials</i>	Promo materials about activities and services, Slovenian business environment, cooperation with different media houses and presentation at different business events Organisation of promotional events in support to internationalisation
3	<i>Counselling</i>	Assistance or advance to the exporters, test the exporting readiness, preparation of export plans for the effective entrance to the foreign markets (co-financing of ITM vocational training), training of the companies for internationalisation
4	<i>Market research</i>	Co-financing of market research on foreign markets for exporting companies that enter new markets or enlarge or diversify their business activities on foreign markets
5	<i>Participation at fairs</i>	Co-financing of joint or individual participation of Slovenian companies at international fairs abroad
6	<i>Delegations, B2B, days of suppliers</i>	Organisation of business delegations (delegations where the support of government is required; targeted industrial or semi-industrial oriented delegation to enter supply chains), co-financing of the participation at B2B or other specialised events abroad (support to the companies by search of business partners via B2B platforms, where the companies can find the corresponding partners in advance), support to networking

http://www.mgrt.gov.si/fileadmin/mgrt.gov.si/pageuploads/SEKTOR_ZA_INTERNACIONALIZACIJO/ANG/Program_INTER_2015-2020_končna_EN-FINAL.pdf

²⁰ http://www.izvoznookno.si/Dokumenti/Analize/MI%202015-2016_kon%C4%8Dna.pdf

²¹

http://www.mgrt.gov.si/fileadmin/mgrt.gov.si/pageuploads/SEKTOR_ZA_INTERNACIONALIZACIJO/Internacionalizacija_TNI/Međnarodni_izzivi_2017_2018.pdf

7	<i>Business clubs</i>	Co-financing of Slovenian business clubs abroad, linked to the promotion of Slovenian economy and assistance to the Slovenian companies by entering the markets abroad
8	<i>Business quality</i>	<i>Enhancement of business quality</i> – co-financing of companies 'costs by acquiring international certificates or other certificates that demonstrate the ability of business quality or products as well as the protection of intellectual property
9	<i>Set up of e-business</i>	Co-financing of e-business processes to ease the foreign market entry (development, preparation and launch of online business, translation into foreign languages)
10	<i>Development of business models</i>	Co-financing of development of use of new business models (development, adaptation, introduction into the business systems/processes etc.)
11	<i>Set-up of partnerships</i>	Co-financing of partnerships activities / business networks / clusters / consortiums etc. With the aim to lower the costs and business risks at foreign markets or empowerment for participation in global value chains.

Source: MI2017-2018

In the programme 2017 – 2018 are on national level also the FDI measures: provision of information, programme for identification of foreign investors, training of the promoters, providing “on-line” investment opportunities, promotion of Slovenia, regions and industries, further growth and development of companies with foreign or mixed ownership; preparation of analytical tools and studies as well as financial instruments.

In year 2017 the MGRT plans the activities for improvements of business and support environment, notably the action plan for the removal of barriers for investors. The new act on FDI do not discriminate between the foreign and domestic investors.

In 2017 the entry point for internationalisation and foreign investors, so called One stop shop should be operative.

In 2018 the revision of the Programme for internationalisation 2015 – 2020 should be prepared, taking into account the actualisation of the measures, indicators as well as the targets.

3.2 TARGETED MARKETS

MI 2017 – 2018 differentiates the targeted markets according to their features and activities, needed for the market entry: 1. European and other traditional markets; 2. priority markets; 3. markets that represent »new challenges«.

Table 9: Markets and countries

	Market	Countries	Justification
1	European and traditional markets	EU, Western Balkan, Switzerland, Russian federation, Albania.	Slovenian companies are traditionally present in the listed markets; listed countries represent largest investors in Slovenia.
2	Priority markets - internationalisation	Gulf states (Saudi Arabia, United Arab Emirates, Kuwait, Qatar), India, China	Selected priority markets in terms of global presence, economic compatibility, adequate competitiveness, predicted growth rates and risks. From the internationalisation point of view, products with high added value are important on those markets.
	- FDI	USA, Japan, Canada	Companies that are largest world investors, their companies invest highest share in R&D or they are interesting to invest in Slovenia in specific industrial segments (e.g. logistic centre).
3	Markets that represent « new challenges »	Central Asia (Kazakhstan, Turkmenistan, Iran), Korea, Taiwan, Vietnam, Malaysia, Indonesia, Senegal and Egypt, Morocco, Chile, Mexico, Norway, Australia and New Zealand	Global growth markets that also enable Slovenian niche products to participate; at those markets the initial activities will be carried out such as verification of cooperation potentials in the future.

Source: MI2017-2018

Slovenian export economy is compatible with the economies listed under the priority markets as well as those listed under the »new challenges«. Among them are mostly compatible with the Slovenian economy and in particular with more than 15 groups of goods that have highest share in Slovenian export: USA, Qatar, Saudi Arabia, Kazakhstan, Turkmenistan, Iran, Ukraine, Korea, Taiwan, Vietnam, Egypt, Morocco, Chile, Mexico, Canada, Australia and New Zealand.

From 27 identified sectors in which Slovenia has the comparative advantage according to the S4²² and Slovenian Industrial Policy, the highest demand among the priority markets as well as those of »new challenges« for the following goods are: Electrical and electronic equipment (85), machines and apparatus (84), vehicles (87), optical, technical, medical and other apparatus (90), plastics and plastic products (39), pharmaceuticals (30), organic chemicals, Aircraft (88), furniture (94), wood and wood products (44). Other important

²² Smart Specialisation Slovenia : « 4.3.3. Internationalisation and FDI related measures address the promotion of enhanced international integration of Slovenian economy and attracting foreign direct investments (FDI), internationalisation. The target is to promote exports and attract foreign investment with SMEs also being a target group – the aim is to enhance their international involvement. These activities require stakeholder participation and strengthening the role of the agency SPIRIT Slovenia acting as a single contact point providing overall support to investors and exporters. Measures to attract FDI support the objective of presenting Slovenia as a regional research and development centre (R&D hub) which can attract and further strengthen development departments of foreign companies, connect stakeholders in this field, encourage the pursuit of higher value added, innovation and linking new knowledge with the economy. As the centre for green economy (green hub) Slovenia can be developed as an environment- and people-friendly economy, namely through new technologies and materials, development of new services, as well as through the improvement of material and energy efficiency. Integrated support to the internationalisation of the economy will cover a variety of activities which will enable companies to upgrade international operations, as well as the activities which support companies that have just started their international business; such activities are counselling, support for presentations of companies at international fairs, providing information about foreign markets, supporting market research of foreign markets, support in finding local agents in new foreign markets, promoting the integration of SMEs into global value chains, including the development and use of new business models, supporting feasibility studies for projects with international potential, supporting demonstration or pilot projects with an international component. Setting up a national one stop shop service, which will provide integrated services (providing information/counselling, active assistance to investors, etc.), is very important for attracting foreign (as well promoting national) investments. Support will also be given to specific projects e.g. development of strategic partnerships to promote integration of enterprises into global value chains, joint investments as pilot projects designed to further market high-quality products/services and the development and application of new business models in enterprises. » p.39;

Economic diplomacy and promotion Economic diplomacy, responsible for international economic cooperation, plays an important role in supporting international cooperation and the promotion of S4 areas. The relevant measures to support companies will be implemented in the framework of intergovernmental commissions, economic delegations, economic representations abroad, advising companies regarding the selected foreign market, providing information on foreign markets and other services provided by diplomatic and consular representations (e.g. priority issuing of visas), namely by focusing on enhancing the network of economic advisers. Certain activities will also be governed through involvement and participation in international organisations. p. 40

products are chemical products (38), inorganic chemicals (28), paper pulp, cellulose (47) and cosmetics (33). Less demand is for textile products (63), dyes and derivatives (32), dairy products (04), articles of basic metals (83) and tools (82).

Countries with the highest demand for those goods are: USA, China, Japan, Mexico, Canada, Korea, Taiwan, Saudi Arabia.

In line with the export structure and where the SID Bank could play stronger role are the countries that are not the OECD members (e.g.. China, the Russian Federation, Ukraine, Iran and the Gulf and African countries,) where the demand for insurance of businesses is increasing.

3.3 FINANCIAL SOURCES FOR INTERNATIONALISATION

MGRT has national as well as EU funds for internationalisation. In 2017 there were 15.350 million EUR (for the internationalisation 8.946 million EUR), of which for new measures (EU funds) 4.996 million EUR and for the FDI 6,404 million EUR, of which for the direct financial incentives 5,828 million EUR.

In 2018 there will be 15,564 million EUR (for the internationalisation 9.011 million EUR, of which for new measures (EU funds) 4,996 million EUR and for the attraction of FDI 6,553 million EUR, of which for the direct financial incentives 5,818 million EUR.

MGRT will finance the activities of implementing agency SPIRIT Slovenia, inward and outward business delegation as well as preparation of meetings for companies in cooperation with other stakeholders. For those activities MGRT/SPIRIT allocated 300.000 EUR of national budget, of which 50.000 EUR for cooperation with foreign chambers; 50.000 EUR for the implementation and participation at international B2B events and 200.000 EUR for implementation/co-financing of inward and outward business delegation and other business events or meetings.

Financial support for the stakeholders for the implemented activities of the document MI 2017-2017 will represent max 60% of eligible costs or 1.500 EUR for preparatory meetings, 4.000 EUR for inward business delegations and 8.000 for outward business delegation (including VAT).

Eligible costs for the business delegations are: transportation costs in the targeted country, rental of premises and technical equipment, translation as well as providing B2B meetings for companies and catering.

Table 10: stakeholders and sources of financing the internationalisation activities

Stakeholder	Budgetary item or other source	Funds in 2017	Funds in 2018	Comments
MGRT	603210 534310 173210	2.776.500 EUR 5.828.000 EUR 10.800.000 EUR	3.000.000 EUR 5.818.000 EUR 11.200.000 EUR	- SPIRIT – implementation of internationalisation programme; - risk capital - STO (participation in WTO)
MZZ	130010	300.000 EUR	300.000 EUR	- mixed commissions for economic cooperation, - promotional events, project fund and - organisation of Africa Days
MKGP	170057 334400	10.000 EUR	10.000 EUR	Funds for the Minister's and his visits in China /
MORS	5885	79.000 EUR	129.000 EUR	Funds for bilateral and multilateral cooperation in the field of defence
GZS	Own sources	500.000 EUR	550.000 EUR	-
OZS	Own sources	189.500 EUR	149.500 EUR	-

Source: Mednarodni izzivi 2017 – 2018

3.4 OP FOR THE IMPLEMENTATION OF THE EU COHESION POLICY IN THE PERIOD 2014 – 2020

Cohesion Fund (CF): 895,370,363.00 €

Regional Development Fund (ERDF): 1,390,392,899.00 €

European Social Fund (ESF): 707,713,434.00 €

Thematic priorities

TA - Technical Assistance

TO1 - Research and innovation

TO10 - Education and training

TO11 - Better public administration

TO2 - Information and communication technologies

TO3 - SME competitiveness
TO4 - Low-carbon economy
TO5 - Climate change and risk prevention
TO6 - Environment and resource efficiency
TO7 - Transport and energy networks
TO8 - Employment and labour market
TO9 - Social inclusion
Financial information
Total OP budget: 3,756,236,661.00 €
Total EU contribution: 3,011,899,768.00 €
CCI number: 2014SI16MAOP001

3.4.1 Programme description

The Programme will play a decisive role in encouraging economic development and ensuring prosperity for all citizens in Slovenia while taking into account the specific characteristics of the two NUTS II regions - Western Slovenia and Eastern Slovenia. It will significantly contribute to the achievement of the national and Europe 2020 targets for smart, sustainable and inclusive growth. It aims to strengthen efforts particularly in the area of research and development, boost the innovation potentials of small and medium sized enterprises (SME), promote resource efficiency and reduce environmental pressures, further develop the transport sector, boost the growth of employment rates and reduce the number of people at risk of poverty and social exclusion.

The EU funding of EUR 3.011 billion from the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF) and the specific allocation for the Youth Employment Initiative (YEI) is targeted according to development needs, existing disparities and growth potentials of Slovenia.

The total allocation by fund is as follows:

- EUR 1.390 billion from the European Regional Development Fund,
- EUR 895 million from the Cohesion Fund,
- EUR 717 million from the European Social Fund,
- EUR 9 million from the Youth Employment Initiative.

Funding priorities

The Programme encompasses all 11 thematic objectives and corresponding investment priorities, with a focus on:

- Increasing the international competitiveness of enterprises, particularly of SME, to accelerate economic development and the creation of jobs.
- Improving the infrastructure for research and innovation while strengthening its links with enterprises and the higher education sector.
- Developing a high-quality broadband infrastructure and enhancing access to broadband electronic communication services.
- Increasing energy efficiency and the use of renewable energy sources (RES) in the public sector, in households and enterprises.
- Implementing sustainable mobility measures in urban areas to improve air quality and to promote public passenger transport.
- Supporting climate change adaptation measures to reduce the risk of flooding in areas with significant flood risks.
- Developing environmental infrastructure in the water sector and ensuring the efficient and sustainable use of natural resources.
- Upgrading the railway infrastructure and constructing the missing motorway sections along the Trans-European Transport (TEN-T) Network.
- Increasing the share of employment, particularly of the long-term unemployed, the young and older people, as well as of the persons with low education levels.
- Reducing the number of socially excluded persons and persons at the risk of poverty while increasing the access and quality of community-based services and promoting social entrepreneurship.
- Improving the responsiveness of the education and training systems to the needs of the labour market and ensuring equal access to education, trainings and lifelong learning for all groups.
- Increasing the institutional capacities and the efficiency of the public administration and public services.

3.4.2 Expected impacts

- 7.700 enterprises receiving support.
- An employment increase in the supported enterprises by 1.000 employees.
- Additional 20.800 households connected to new broadband networks with the speed of at least 100 Mbps.

- A decrease in the annual primary energy consumption of public buildings by 23 GWh per year.
- 38.427 citizens benefiting from the co-financed flood protection measures.
- Additional 120.000 people served by an improved water supply.
- 25 km of reconstructed or upgraded railway lines and 13 km of newly built roads on the TEN-T network.
- 25.000 people participating in employment initiatives.
- 19.000 people from vulnerable target groups participating in preventive programmes.
- 42.900 participants involved in programmes to acquire competencies and to raise their level of education.

Enhancing competitiveness of the economy for green growth and creation of jobs and improving the business environment.

If Slovenia wishes to boost economic competitiveness, it should make efforts to step up the productivity and competitiveness of existing enterprises, and to encourage the creation of new innovative enterprises with an emphasis on high-tech enterprises active in the areas defined in the Smart Specialisation Strategy. Innovative and emerging enterprises conceal enormous untapped potential. Also, enterprises should be provided with support in all stages of their lifecycle, through a combination of various forms of incentives. The ESI Funds under priority axis 3 will thus be ring-fenced for designing a comprehensive set of measures to render access to finance easier and to facilitate doing business with a view to creating better conditions for the growth and development of enterprises. The gap analysis which is being undertaken will show which of the existing financial instruments should be kept in the future and which new ones should be introduced. The analysis will also help determine the required amounts and allocations in this area. The measures will be designed to provide support for entrepreneurship, particularly by facilitating the commercial use of new ideas and promoting the creation of new enterprises, including business incubators. The main challenge in both cohesion regions is to upgrade and adjust the existing supportive environment that will, considering the relevant needs of each of the two regions, contribute to stepping up their entrepreneurial activity. This will allow the enterprises to access new or better and connected services that will be tailored to the relevant key growth stages of enterprises, while special attention will be given to cross-cutting themes that may provide further impetus for their growth (ICT, energy efficiency, resource efficiency etc.). *Development and implementation of new business models for SME, particularly for their internationalisation, will be promoted.* Strengthening of the SME' competences and resources, deployment of advanced business models and development of partnerships will help the SME to position themselves in the

global market and retain their position. According to national and foreign research, the competitiveness of enterprises is significantly affected by the promotion of design-management and branding (of individual locations, too); hence, this area will receive the necessary support in line with the Smart Specialisation Strategy.

3.4.3 Selected investment priority: Developing and implementing new business models for SME, in particular with regard to internationalisation.

Justification of the selection:

- *In Slovenia, the majority of revenue in foreign markets is generated by large enterprises, while SME, which account for more than 90% of Slovenian enterprises, lack adequate competences and resources to be able to enter global markets and successfully compete therein or to integrate into global value chains. Roll-out of advanced business models and establishment of development partnerships will help enhance their position in the global market.*
- *Exports are largely limited to EU markets and experienced a severe decline during the crisis. Hence, SME should be encouraged to engage in international activities in part through the acquisition of new knowledge, advanced documents, business cooperation and through the search for new business partners that will further strengthen the competitiveness of Slovenian SME.*

3.4.4 Specific objective compatible with Investment priority: Enhance International competitiveness of SME

Slovenian export-oriented enterprises are currently out-performed in terms of cost and organisational competitiveness, the shift of the export structure to products and services of higher added value remaining far too slow. In entering foreign markets Slovenian enterprises by and large do not avail themselves of most advanced business models, processes and approaches nor cooperate with each other and with various institutions, they also fail to actively use demonstration and pilot projects. The indicator monitoring the level of integration of enterprises shows that only 7% of enterprises are integrated into groups, and that only 20% of enterprises are residential in nature (SORS). Enterprises should thus be encouraged to integrate in order to enhance their competence and knowledge. Furthermore, neither the support nor the business environment are fully developed to help Slovenian enterprises *integrate into international economic flows or to provide support for export-oriented enterprises*. The KOF indicator (SORS) shows that the globalisation index is still on the decrease (2007 = 78.8 and 2010 = 76.9 index value) which means Slovenia ranks among

the EU Member States with the poorest results in terms of the globalisation index. The crucial step is, thus, to improve the conditions for networking and integration of enterprises to help them successfully penetrate tough foreign markets and integrate into global value chains. Slovenian enterprises that wish to expand their activity beyond the national borders or seek to enter additional new foreign markets will benefit from support under this investment priority. *The indicator monitoring net turnover from sales in foreign markets shows that the share of SME has decreased over the past few years (2009 = 33.3%, 2012 = 31.1%, Agency of the Republic of Slovenia for Public Legal Records and Related Services), which indicates that international business activities should be encouraged and promoted.* Actions under this thematic objective will support enterprises, including enterprises in the field of tourism that wish to expand their activity to international markets or seek to diversify their presence in emerging foreign markets.

The expected results under this specific objective:

- increased capacity of enterprises to integrate into global value chains;
- increased export-intensity of enterprises;
- increased export of services.

Indicators: SMEs` net turnover from sales in foreign markets

Table 10: Specific result indicators

ID	Indicator	Measurement unit	Category of region	Baseline value	Baseline year	Target value (2023)	Data source	Frequency of reporting
3.10	SMEs` net turnover from sales in foreign markets	Share	Whole of Slovenia	34.4	2013	38.4	SORS/IMAD/Agency of RS for Public Legal Records and Related Services	Once a year

3.4.5 Actions to be supported under the investment priority

Description of types and examples of actions to be financed and their expected contribution to the corresponding specific objectives, including, where appropriate, the identification of the main target groups and types of beneficiaries. With respect to challenges the Slovenian economy is facing, it is crucial to boost its international integration. With a view to addressing these issues and challenges we will boost through the measures the development and renewal of business models by placing specific emphasis on internationalisation. Design and implementation of measures will place emphasis on the search for synergies with

actions under other investment priorities with a view to increasing the share of exports of high added-value products and services. The following actions, which aim to increase SME' international competitiveness, are of key importance under this investment priority:

- Development, implementation and renewal of business models and promotion of achieving excellence in enterprises with a view to improving the efficiency of approaches to entering foreign markets and establishing business and development partnerships. Pilot and demonstration projects aimed at testing new concepts of project implementation will be supported and widely spread after a successful start-up (e.g. commercialisation of products and services especially in foreign markets). Improvement and development of new business processes by attaining the most advanced intellectual property standards and rights will be supported (e.g. certificates, patents, trademarks) and of introducing integrated business process management systems. In areas lagging behind developmentally, support will be given to innovative SME operating in niche markets which contribute to the smart specialisation process. Integration into global value chains, commercialisation of developed knowledge and optimising exploitation of the innovative potential of enterprises will be supported.

- *Support for business and development partnerships to enhance integration into global value chains through integration into international processes and establishing a critical mass at the regional level for global breakthrough on the basis of creating links between stakeholders' competences and potentials (implementation of modern business models, entering foreign markets, niche breakthroughs, etc.). The development partnerships established at least at the regional level in areas identified under the Smart Specialisation Strategy will be supported.*

- *Establishment and operation of a one-stop-shop for domestic exporters and foreign investors supporting international business activities. Support will cover e.g. information, presentations, business consulting, offices abroad, tailor-made mentoring and training programmes in the field of international business activities, with the aim of enhancing the potentials that exist within enterprises.*

- *Drawing up feasibility studies, market studies and export plans supporting enterprises with their further development of doing business within the international environment.*

- *Support in finding new international market opportunities. For the successful introduction of enterprises in the market, we will support the activities organized in specialized international fairs and other major events at home and abroad. At the same time, we will support the transfer of the best international business practices and innovative ways to find*

foreign business partners. Activities will also strengthen the recognition of Slovenia and the Slovenian economy.

- *Development of new and innovative tourism products and services (including cultural tourism), enhancing their quality, and development of tourist destinations.*

Support for projects will take into account the difference in the co-financing rates for the cohesion region of Vzhodna Slovenija and the cohesion region of Zahodna Slovenija. Due to state aid rules both cohesion regions will have a lower co-financing rate with the co-financing rate being higher in Vzhodna Slovenija, which derives from the higher co-financing rates pursuant to the provisions of Regulation (EU) No 651/2014 (GBER).

At the level of instruments, the following principle will be pursued: the available funds are to be allocated to the best projects with adequate private financial leverage. State aid rules will be applied in allocating support to SME, including the rules which prohibit allocating support to firms in difficulties. Target groups: SME, especially those that wish to go international and already established SME wishing to diversify their business activity into new products and/or enter new foreign markets or expand their activities in foreign markets. Beneficiaries: SME, institutions, chambers, associations, non-profit organisations, networks, regional development institutions, public institutes.

Guiding principles for the selection of operations

Alongside horizontal principles, the selection of projects will take into account the following additional selection principles:

- the principle of transparency and partnership will be ensured through the criteria for the selection of individual operations;
- contribution to the achievement of objectives identified in Slovenia's strategic development documents, contribution to the achievement of Europe 2020 strategy targets and relevant thematic objectives and investment priorities.

Alongside horizontal principles the guiding principles for selection will comply with the identified areas under the Smart Specialisation Strategy and will meet the basic criteria for awarding development incentives for enterprises:

- stability of the enterprise;
- obtained international certificates/patents, etc.;
- business plan;

- quality of the project, wider social impact or response to societal challenges, innovativeness, market potential;
- integration of the design and marketing aspects;
- economic criteria (added value, added value per employee, share of international trade, share of exports, growth in the number of employees etc.);
- project finance structure;
- contribution to bridging the development gap; between the two cohesion regions;
- reduction in the environmental impact. In supporting projects State aid rules are taken into account. Where reasonable and appropriate, so-called European Commission “off the shelf” instruments will be applied.

Planned use of financial instruments

Actions carried out through financial engineering instruments will comply with the findings of the ex-ante assessment and will be supplemented with the standard forms of financing as identified by the European Commission and with grants. Based on the ex-ante assessment, the funds will be earmarked for the areas with the greatest financial gap between SMEs' demand and financial institutions' supply.

Planned use of major projects

Major projects are not planned.

3.5 IMPLEMENTATION BY MID OF 2017

Within the priority 3.2 Development of new business models for SME, in particular in the relation with internationalisation was by 30th June 2017 approved 5 public calls in the total amount of 6 million EUR. In the second trimester the call for proposals for co-financing individual participation at fairs in 2017 was approved. The budget for the call is 1 million EUR. The Managing Authority reminded Ministry of Economy and Technology to speed up the implementation in line with the prepared Action plan to minimise the risk of non-fulfilling the n+3 rule. The implementation will be closely monitored by the Monitoring Committee.

The main implementation agency for internationalisation is SPIRIT Slovenia. The following calls were implemented in 2017:

- 1) Market research (50% costs; max. 4.500 EUR); total budget of the call 250.000;
- 2) Individual participation at fairs (lump sum: 8.762 EUR, total call 0.7 million EUR)

- 3) Active participation at international business events (60% eligible costs, min. 3000 and max 8000 EUR, total call 500.000 EUR)
- 4) Co-financing international standard certification, increase the quality of businesses and or products as well as entrance to the foreign markets (60% of total costs, max 10.000 EUR, total call 300.000 EUR)
- 5) Establishing or upgrading to e-business to ease the entrance into the global value chains as well as new markets and enhancement of international competitiveness (70% of eligible costs; min. 5000 EUR and max 30.000 EUR, total 0.83 million EUR)
- 6) Co-financing of Slovenian business clubs (USA, Italy, Russia, Romania, Hungary, Croatia, Austria, Belgium, Serbia, Luxembourg, Canada, Kosovo, Zambia).

3.6 MAIN NATIONAL/REGIONAL STAKEHOLDERS

The main stakeholders in enhancing internationalisation activities as defined in the Programme for internationalisation²³ 2015 – 2020 are:

- Ministry, responsible for economy (2017: MGRT)
- Agency, responsible for enhancement of internationalisation and FDI (2017: SPIRIT Slovenia),

Among the key stakeholders are:

- chambers – Chamber of Commerce Slovenia, Chamber of Craft and Small Business of Slovenia and other chambers, domestic as well foreign;
- SID Bank, with the most important role in financial engineering;
- Regional associations or agencies as well as local partners.

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http://www.mgrt.gov.si/fileadmin/mgrt.gov.si/pageuploads/SEKTOR_ZA_INTERNACIONALIZACIJO/ANG/Program_INTER_2015-2020_koncna_EN-FINAL.pdf

International Challenges are Implementation Plan of the Programme. It is agreed on biannual basis. In International challenges for 2015-2016 the important stakeholders are also: ministry of foreign affairs, Cabinet of the Premier Minister, Cabinet of the President of the Republic Slovenia, the Cabinet of the President of the Parliament, Cabinet of the President of the National Council of the RS as well as other ministries, chambers, associations, regional institutions etc.

International Challenges 2017 – 2018 claim that »For the success in internationalisation good cooperation between all stakeholders of supportive environment, providing complementary activities to the economy as well as following the same goals is crucial«. Mentioned are following institutions: MGRT, SPIRIT, MKGP, MORS, MJU, Cabinet of the PM, Cabinet of the President of the RS, CCI, Chamber of Crafts and Small Business as well as Strategic development and innovation driven partnerships as well as SID Bank.

More prominent role of the regional stakeholders is not seen. The European Enterprise Network, which was established with the aim to ease the internationalisation of European enterprises, notably SME, is not mentioned in the document although the CCI as well as Chamber of Crafts and Small Business are part of Slovenian EEN.

The supportive internationalisation environment in Podravje region as well as in Maribor with surroundings is not set up in the modus to have any significant impact on the internationalisation of local/regional SME, either in the role of the intermediary or even the agent.

In the INTRA project the following stakeholders are mentioned:

- a) National level
 - MGRT (Ministry, responsible for internationalisation, preparation of strategic documents)
 - SPIRIT Slovenia (Implementing Agency for internationalisation)
 - SID Bank (Slovenian Export and Development Bank)
 - STO (Slovenian Tourist Organisation)
 - SPS (Slovenian Enterprise Fund)
 - RRA giz (Association of regional agencies in Slovenia)
- b) Regional level
 - Regional Council
 - Regional Development Council
 - CCI Štajerska

- Chamber of Craft and Business Maribor
 - University Maribor, Faculty for Economics and Business (EPF)
 - University Maribor, TehnoCeenter
 - University Business Incubator, Tovarna podjetmov
 - Štajerski tehnološki park (regional business incubator)
 - Municipality Maribor
- c) EU level
- Slovenian members of the Committee of the region
 - Slovenian members of the European parliament

3.6.1 THE SHORT SCREENING OF REGIONAL STAKEHOLDERS` ROLES IN INTERNATIONALISATION

Regional Council incorporates 41 mayors of local municipalities in Podravje region. In the financial perspective 2014 – 2020 the Regional Council has not addressed the project of regional economic importance. Those projects are also not included in so called »Regional Development Agreement«, which completely excludes them as cooperation topics on regional level (to be financed out of the ESIF pot).

Regional development council of Podravje region was set up in line with the financial perspective 2007 – 2013 thus ignoring the setup of committees as foreseen in the Regional Development Act, meaning that there is no separate committee for internationalisation. However, internationalisation should be dealt within the Economic Committee that has met in the whole period only once, notably by the approval of Regional Development Programme. In the mentioned committee there are no representatives of regional companies.

Štajerska Chamber of Commerce performs internationalisation activities in agreement with Slovenian Chamber of Commerce of which it is a regional branch office. In line with the proximity of border their activities are focused to the cross-border markets as well as cooperation within EU-28.

Chamber of Craft and Business Maribor performs counselling activities and organisation of events for its members and is mostly focused to the craftsmen and micro entrepreneurs that conduct their businesses either in Austria or in Croatia.

City Municipality Maribor builds its international positioning under the current mayor's turn in office on the markets in Far East, foremost China. In foreground is the FDI and not the internationalisation of companies settled in Maribor.

Although the International marketing is part of the Faculties portfolio, there are no additional trainings or programmes (such as MBA) available for companies.

TehnoCenter became in 2017 part of the RAZ:UM and so part of the Slovenian EEN network. It is predominantly focused on the IPR and commercialisation of innovation from the University.

Tovarna podjetij (University incubator) is the major player in the Slovenian start-up scene, including the generation of »born global«. They match their activities with the Slovenian Enterprise fund (SPS).

Štajerski technology park performs counselling for companies settled in Pesnica by Maribor as well as on the location in Maribor. They are providing assistance to the companies by preparation of the applications to the calls, organise networking events and marketing activities for the companies.

Slovenian European Enterprise Network has the following members: JSI, SPIRIT, GZS, OZS, MRA, RAZ:UM, RC Koper. Their internationalisation activities and support provided to the companies is focused on internal market of the EU.

With all national as well as regional stakeholders the interview was conducted. With the supra national stakeholders the interviews were not conducted as they have no direct influence on Slovenian internationalisation (quoted by one PM). However, they are constantly informed about the INTRA`s progress and will be invited to its major events.

4. CONDUCTION OF INTERVIEWS WITH STAKEHOLDERS AND SURVEY IN SME

4.1 PRELIMINARIES

The survey was prepared by the RAPIV with the inputs of INTRA's project partners. Although the surveys as well as the questionnaire for the interviews were relatively long or even too long as reported by SME, the positive attitude of the Regional Stakeholder Group in Podravje/Slovenia as well as their willingness to contribute with their knowledge and expertise give a motivational push.

The objectives of interviews were to determine what kind of measures and services are available for SME in supporting their internationalisation activities, which are most successful approaches and pro-active measures to stimulate it and to determine and evaluate the relationships between the organisations (mostly institutional) providing support (financial as well as non-financial) to SME and SME themselves.

The main focus of the questionnaire for SME was, to determine how useful the services, provided by the governmental institution and other national/regional/local institutions providing SME support, are.

Comparison of both, SME and institutional providers, shall reveal the gap between the needs and actual support measures, including those proposed in the tackled Operational Programme.

4.2 METHODS FOR COLLECTION OF THE DATA

In order to determine what kind of SME support (activities, tools and programmes) is available, which are the main barriers faced by SME and the difficulties that the stakeholders are facing by providing internationalisation services to the SME and to identify how the ESIF could be used for supporting internationalisation, the interviews were conducted with the following stakeholders from December 2016 – June 2017:

- 1 Mag. Ana Božičnik, MGRT
- 2 Dr. Zoran Stamatovski, MBA, SPIRIT Slovenia
- 3 Mag. Maja Tomanič Vidovič in mag. Aleksandra Črnčič, Slovenian Enterprise Fund
- 4 Slovenian Touris Board (online)

- 5 Vladimir Rudl, MRA, EEN
- 6 Roman Rojc, SID Bank
- 7 Dragan Stjepanović, Konsta d.o.o., SME providing internationalisation support to companies
- 8 Urška Rafolt, Regional Chamber of Craft and Small Business Maribor
- 9 Ante Milevoj, Chamber of Commerce, Slovenia
- 10 Dr. Simona Šarotar Žižek, University Maribor, Faculty of Economics and Business
- 11 Dr. Anton Habjanič, University Maribor, TehnoCenter
- 12 Zoran Hedžet, AIM, SME providing internationalisation support to companies
- 13 Mag. But, Ministry of Foreign Affairs, Economic Diplomacy
- 14 Jure Verhovnik, IRP – Tovarna podjetmov, University business incubator
- 15 Mojca Tominšek, Štajerska Chamber of Commerce and Industry
- 16 Mag. Ryan Hartner, Municipality Maribor, Director of office for economic affairs (online)

The survey in SME was completed by 65 companies (out of 263 who started to fill in the questionnaire). The survey was published at the <https://www.1ka.si/a/122532> the web-based platform provided by the University of Ljubljana. The first survey was filled in on 21st March 2017 and the last entry was on 2nd August 2017. Approximate duration with filling in the survey was 7 minute 53 seconds. The questionnaire (see the annex) incorporated 29 questions and 334 variables.

The used channels: social media, web page, EEN and many thanks to the active stakeholders the survey reached many of SME.

58% of the participating companies have their headquarters in Podravje region.

4.3 DATA PROCESSING AND ANALYSIS

For the processing of data, the online platform of the University of Ljubljana, Faculty of Social Sciences, Center for social informatics known as 1CS was used.

1CS is an open source application for creating, conducting and analysing online surveys. The use on the www.1ka.si domain of the Centre for Social Informatics (Faculty of Social Sciences) server, is without any restrictions and free of charge.

Data of single interview were inserted into online platform in which the online questionnaire was developed, designed and technically created. For the statistical analysis the Excel tool was used, followed by statistical interpretation of results.

For the survey in SME the online platform, described above was used by creating an on-line survey. For the frequencies, percentages, average values, data presentation in cross-tables the 1CS was used. The specific questions were computed with Excel.

5. SURVEY IN SME: RESULTS

This part provides information about the barriers and drivers of SME internationalisation in Podravje/East Slovenia region, based on the survey among the regional SME.

Following the objectives of this survey the questions to be investigated are:

- To determine the profile of the SME performing activities of internationalisation and what kind of activities they perform (import/export, subcontracting activities with international partner, establishing foreign representation, working with foreign subcontractors, FDI etc.);
- To outline the external and internal barriers to SME internationalisation faced by SME per regions (countries);
- To review recent work pertaining to factors driving or motivating the internationalisation of SME

5.1 DESCRIPTIVE STATISTICS

5.1.1 Typology of participating SME and their main economic activity

The typology of participating SME is depicted in the table 12 below.

Table 11: Typology of participating SME

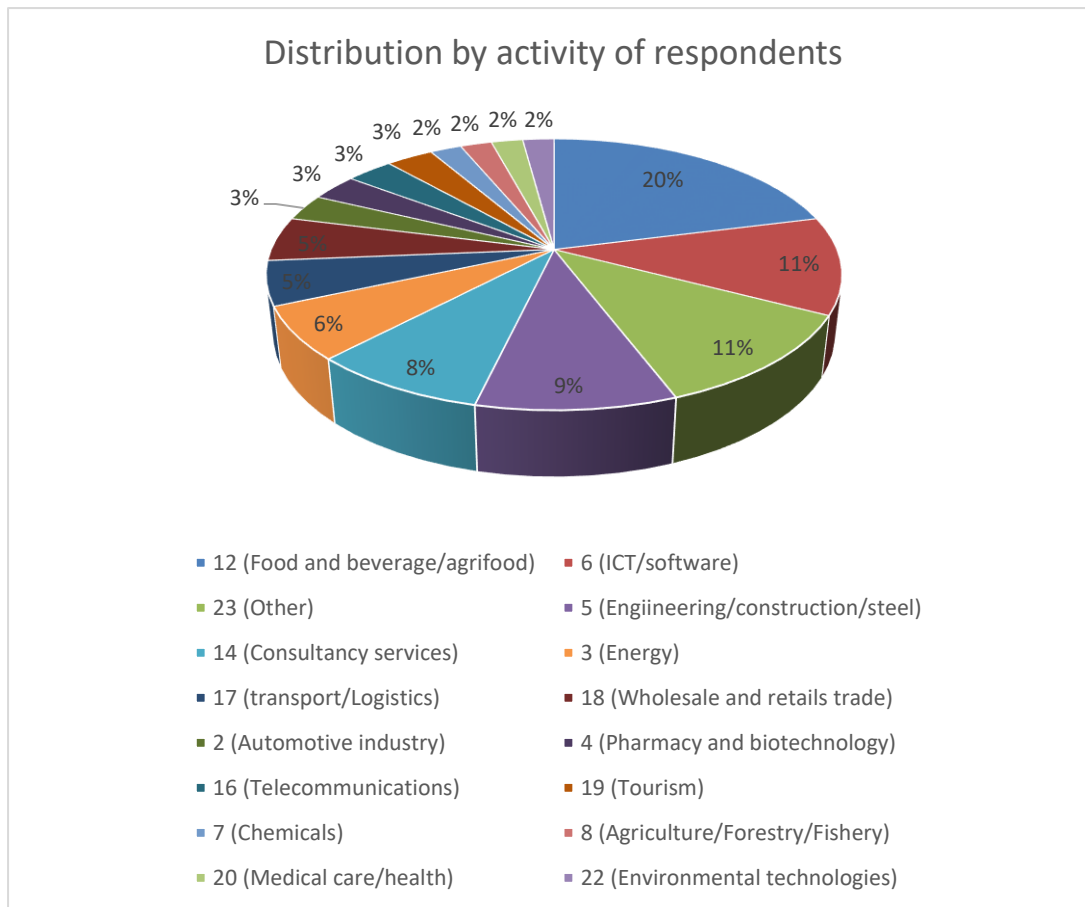
Type of enterprise				
Answers	Frequency	Percent	Valid	Cumulative
1 (Micro (less than 10 persons))	45	69%	70%	70%
2 (Small (10 to 49 persons))	14	22%	22%	92%
3 (Medium (50 to 249 persons))	5	8%	8%	100%
Valid	64	98%	100%	

Source: Own calculations

70% were micro companies with less than 10 persons employed, 22% small with 10 to 49 persons employed and 8% medium sized companies with up to 250 persons employed. The participants do reflect the fact that majority of the companies in Slovenia/East Slovenia/Podravje are micro ones.

As observed in the figure no. 35 below, the highest percentage of participating companies was from food/beverage industry (13), ICT/software (7), engineering/construction/steel (6), consultancy (5), energy (4), transport, logistic and wholesale (3 per industry), tourism, automotive, telecommunications, pharmacy and biotechnology (2 per industry) and one per environmental technologies, medical care/health, chemicals and agriculture/forestry/fishery.

Figure 35: Distribution by activity of respondents



Source: own calculations

5.1.2 Development focus of SME

Core competencies are the main strengths or strategic advantages of a business, including the combination of pooled knowledge and technical capacities that allow a business to be competitive in the marketplace. Theoretically, a core competency should allow a company to expand into new end markets as well as provide a significant benefit to customers. It should also be hard for competitors to replicate (www.investopedia.com).

There are several push and pull factors that do contribute to the competitive advantage of the firms. The respondents were asked to select one or more strategic advantages they are focused on.

In focus of SME development is improvement of quality of products and services (82%), improving the working conditions and employing new staff (51%), least importance was assigned to the expansion, intensification and improving of the advertisement (18%). Within the micro companies the improvement of quality of products (70%), introduction of new ICT

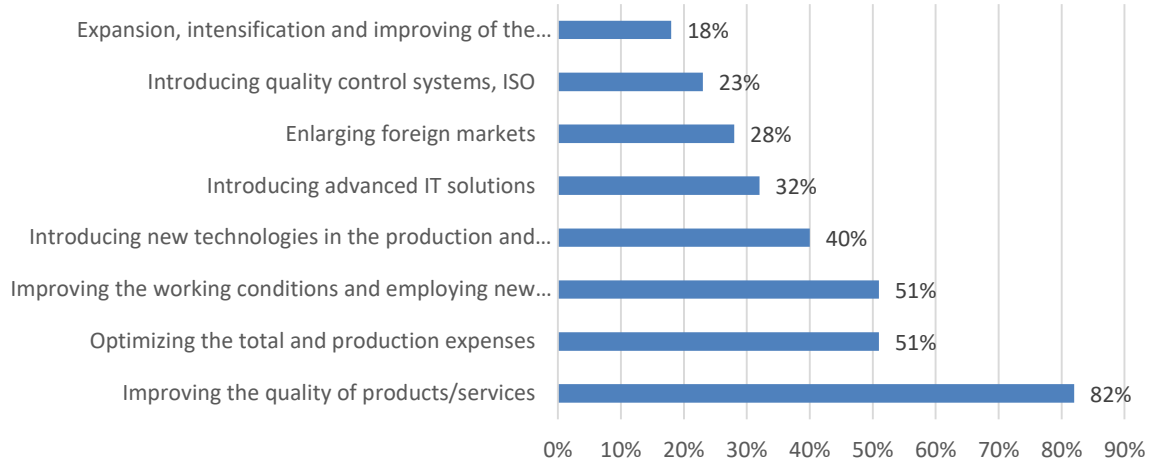
solutions (67%) as well as optimizing the total and production expenses (59%) seem to be the majorities concern. For small companies enlarging foreign markets as well as introducing quality control system are in the focus of their development. For the medium sized companies, the focus is more dispersed.

However, there are substantial differences between the micro, small and medium sized companies. Micro companies see their competitive advantage in the low expenses for ensuring the activity of the company, high qualification of the personnel, implementation of R&D activities as well as the high quality of products, effective marketing, intensive advertisement. The small companies consider as their competitive advantage: larger market segment, good distribution chain, and trade mark of the products/services. Medium companies see their competitive advantage in more information about technologies, markets, products, good distribution chain as well as R&D and high quality of products.

According to the industrial sector the energy sector SME see their competitive advantage foremost in high quality of products, low expenses and high qualification of personnel. Pharmacy and biotechnology SME see their competitive advantage in high quality of products, R&D, high qualification of personnel as well as in more info about technologies, markets, products. In engineering the high quality of products, high qualification of personnel as well as low expenses are recognised as their competitive advantages. In ICT the high quality of products is most important. In chemicals the equal importance is for quality of products, trade mark, low expenses, R&D and high qualification of personnel. In agriculture the high quality of products and low expenses are most important factors of competitive advantage. Less homogenous is the food and beverage/agri-food sector, however the high quality of products is most important, whereas all other element also add to their competitive advantage. In tourism the high quality of products is the only element of competitive advantage. In medical care/health the elements to which the competitive advantage was not assigned are large market segments, and more info about technologies, markets, products. Environmental technologies see their competitive advantage in high quality of products, R&D. high qualification of personnel as well as large products/services range.

Figure 36: Competitive advantage of SME

What do you consider being your competitive advantage?



Source: own calculations

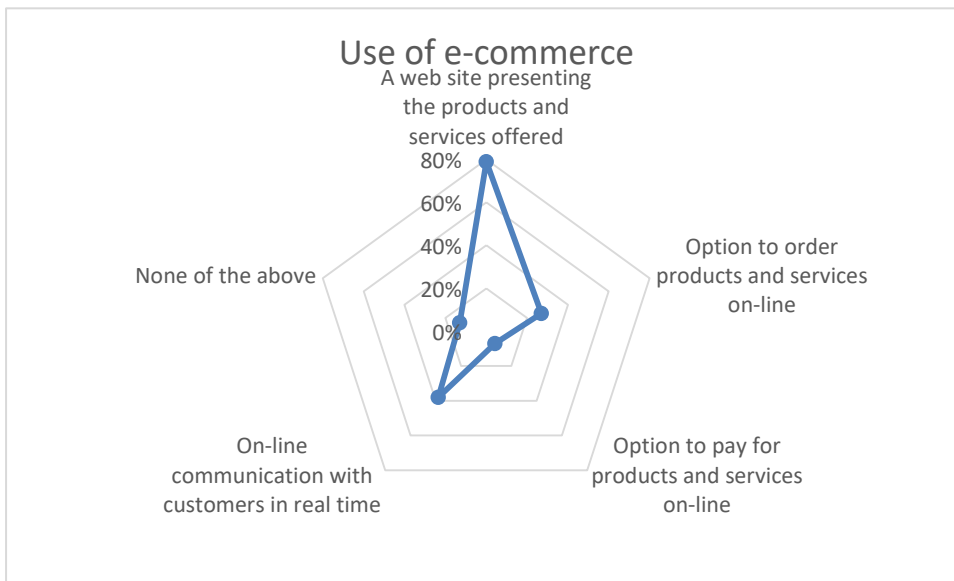
5.1.3 E-commerce

“Electronic commerce, commonly known as e-commerce or e-comm, is the buying and selling of products or services over electronic systems such as the Internet and other computer networks. Electronic commerce draws on such technologies as electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction’s life cycle, although it may use a wider range of technologies, such as e-mail, mobile devices and telephones as well.” (Source: Scientific Research in a call for papers. Available from www.scirp.org/journal/htmlOfSpecialIssue.aspx?ID=64&JournalID=103).

Electronic commerce technologies (i.e. ICTs supporting electronic commerce applications) have the potential to lead to significant productivity gains at firm level. Especially when applied to business-to-business relations, electronic technologies can lead to rationalisation of business processes and cost savings. As an immediate impact, these technologies allow automation of common processes, such as distribution, sales, after-sales service and inventory management. Internet solutions have been primarily developed for distribution channel management, while supply chain management has typically continued to be carried out through established EDI applications. However, as the costs of the Internet decrease, it is expected that new entrants or small companies that are not able to afford EDI will increasingly use the Internet for the management of supply processes (<http://www.oecd.org/cfe/SME/2011580.pdf>).

In line with the definition, the respondents were asked, which e-commerce modus operandi they use. 79% SME do have a web-site presenting their products and services offered but only 38% have established on-line communication with customers in real time and even less 6% have the options to pay for products/services on-line as presented in the figure 37 below. None of the up-to-date communication channels is significant for 13% of SME of which all are micro SME but at the same time the highest share of SME that are using the on-line services also belongs to the micro companies.

Figure 37: E-commerce used by SME



Source: own calculations

5.1.4 Technology readiness level

« Technology Readiness Level (TRL) is an index to measure the maturity and usability of an evolving technology. It is increasingly used for benchmarking, risk management, and funding decisions in all over the world. So that decision-makers are able to figure out whether and when to integrate (launch) a technology (product) into larger systems (markets).

Almost all the TRL scale developers and users in various industries perceive TRL 6 to be a **major transition from research and experiment to real life implementation and commercialization**. This level calls for a critical decision-making on whether to make any further investment for a project, and if any, how to make the most out of it. Several EC presenters have also recognized its practical meaning. From TRL 6 forward, the maturation step is driven more by **assuring management confidence** than by R&D requirements. This is a breaking point where **individual technologies and stand-alone elements are not a matter of discussion** any more. Now, only the **overall evolving technology, system or product** is given emphasize holistically and a single TRL number accordingly. There is no

more room for conceptualizing but only for proving (<https://serkanbolat.com/2014/11/03/technology-readiness-level-trl-math-for-innovative-SME/>) ».

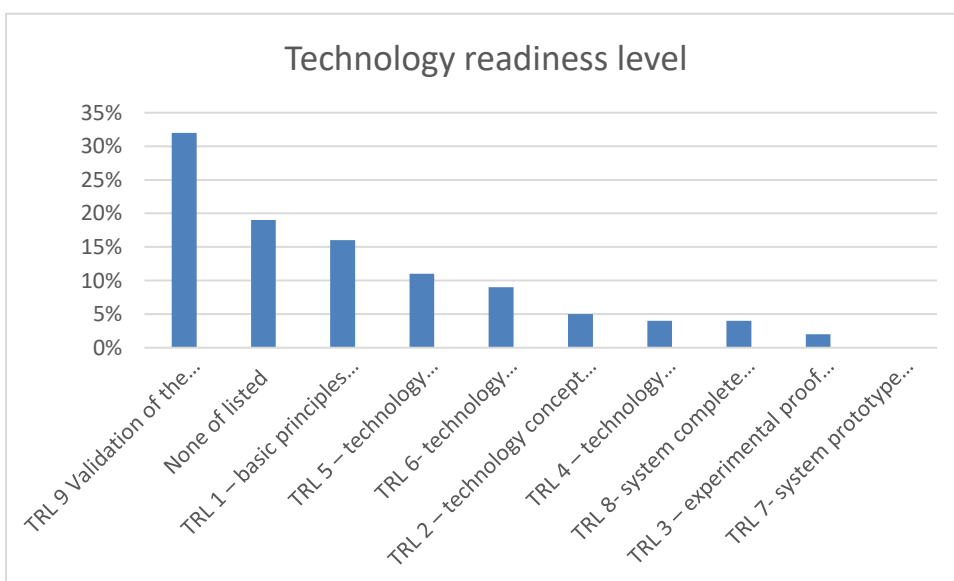
Figure 38: TRL



Source: <https://serkanbolat.com/2014/11/03/technology-readiness-level-trl-math-for-innovative-SME/>

According to the responses provided by SME and taking into account the importance of R&D they stressed, their technology readiness is relative good (28% are in the phase 9) and 17% does not see their products/services to be listed on the TRL 1 to 9, of which 82% are micro companies. However, at least 45% respondents (TRL 6 or above) could participate in the Horizon 2020, SME instrument. The crosstabulation shows that those with TRL9 are occasionally using (31%) or constantly applying (23%) for Horizon 2020. 23% of them do not know the Horizon2020 possibilities.

Figure 39: Technology readiness level



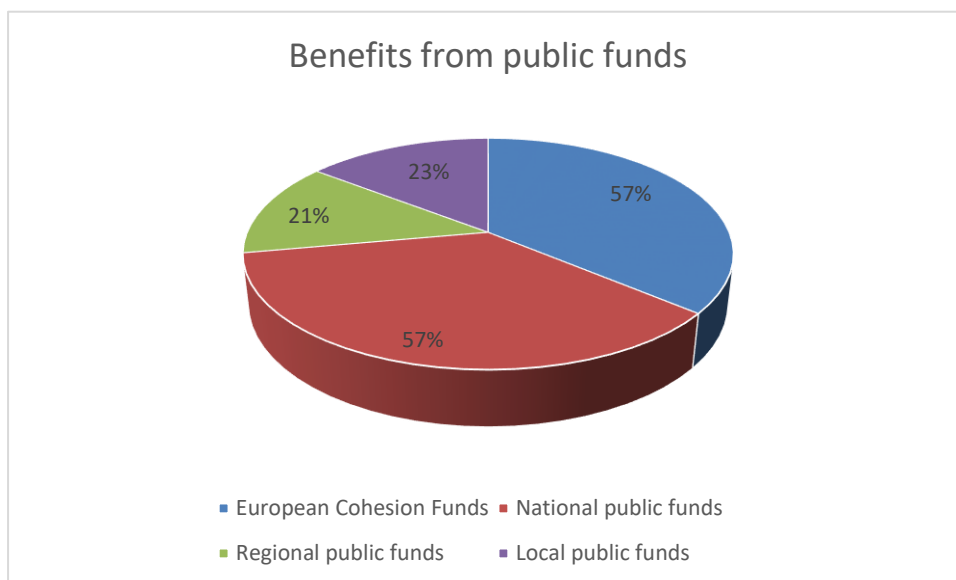
Source: own calculation

5.1.5 Benefits of the public funds

Public support can play an important role in promoting greater internationalisation. A Commission study conducted in 2011 showed that, on average, public support programmes for SME (financial and non-financial, at national and EU level): • increased an SME's turnover in the target market by 28 %; • increased its total firm turnover by 11 %; • accounted for three jobs created or saved; • accounted for approximately 12 % of the next year's turnover (EC: Supporting the internationalisation of SME, <http://publications.europa.eu/en/publication-detail/-/publication/dd69f968-fea2-4034-90d5-7a648574618f>).

The Slovenian respondents benefited from Cohesion funds (57%) as well as from national funds (57%). The absence of regional governance as well as the scarce funds on local, municipal level are seen also in the participation of SME on those (23% local and 21% regional participated, of which more than 90% micro companies).

Figure 40: Public funds participation



Source: own calculations

5.1.6 Benefiting from financial instruments

Financing is the act of providing funds for business activities, making purchases or investing. Financial institutions and banks are in the business of financing as they provide capital to businesses, consumers and investors to help them achieve their goals. The use of financing is vital in any economic system, as it allows companies to purchase products out of their immediate reach.

(Financing <http://www.investopedia.com/terms/f/financing.asp#ixzz4xMRoyQHR>

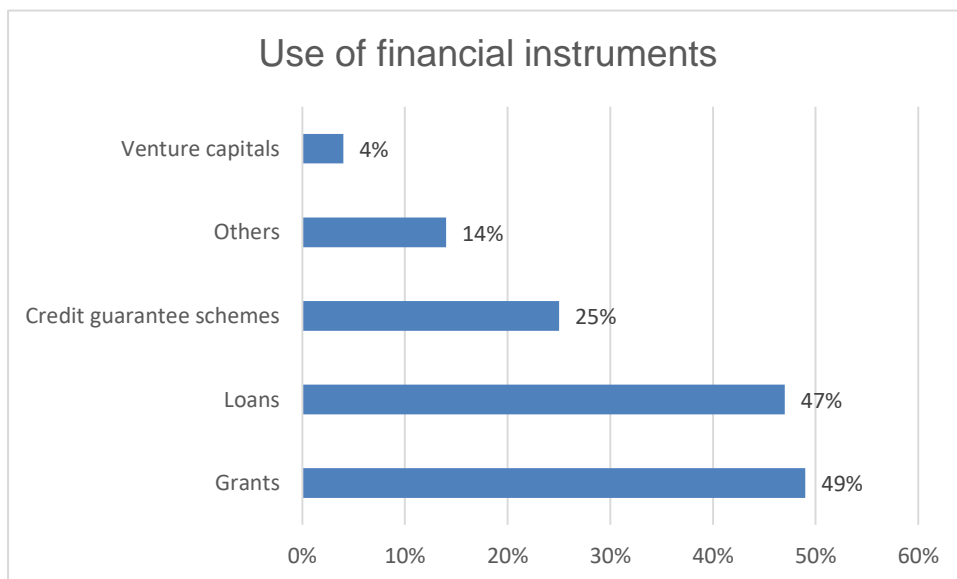
Financial instruments are assets that can be traded. They can also be seen as packages of capital that may be traded. Most types of financial instruments provide an efficient flow and transfer of capital all throughout the world's investors. These assets can be cash, a contractual right to deliver or receive cash or another type of financial instrument, or evidence of one's ownership of an entity. (Source: [Financial Instrument](http://www.investopedia.com/terms/f/financialinstrument.asp#ixzz4xMSOmkkq) <http://www.investopedia.com/terms/f/financialinstrument.asp#ixzz4xMSOmkkq>)

Public funds as part of financial instruments that are under the State aid provisions (http://ec.europa.eu/competition/state_aid/overview/index_en.html). The national agency for internationalisation mostly uses grants for the internationalisation. The loans and credit guarantee schemes are provided by the (private and public) banks, funds and are not always specifically targeting the internationalisation (export driven activities of the company) but the competitiveness of the companies as the larger scope (e.g. development of new products, introduction of new processes etc.) that has the internationalisation and in particular increased exports as the impact of the research, development, innovation, technology transfer etc.

The following financial institutions provide public financing programmes (debt and equity financing) in Slovenia: SID Bank (Slovenian Export and Development Bank), the Slovene Enterprise Fund, and Slovene Regional Development Fund. Slovenian financial intermediaries, including the venture capitals can be accessed at http://europa.eu/youreurope/business/funding-grants/access-to-finance/search/en/financial-intermediaries?shs_term_node_tid_depth=1580.

In their undertakings, 49% of the respondents used grants, 47% loans, 25% credit guarantee schemes and 4% venture capitals (micro SME) in their undertakings.

Figure 41: Use of financial instruments



Source: own calculations

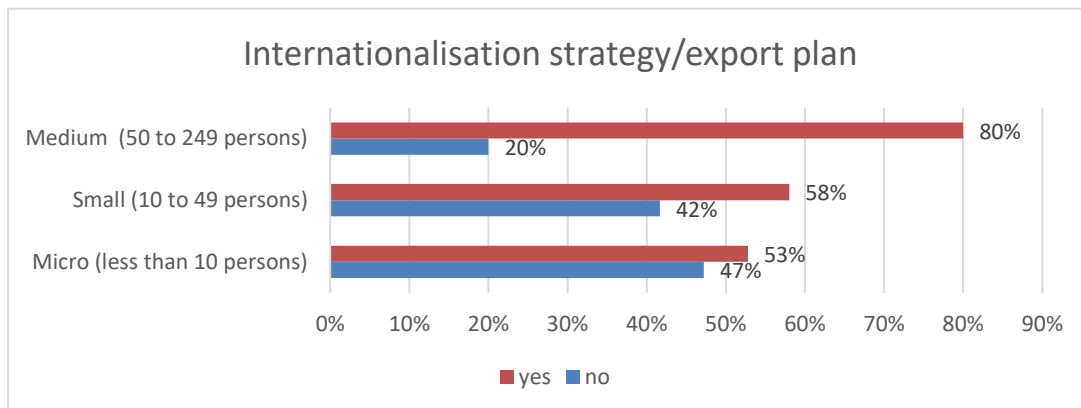
5.1.7 Strategy or internationalisation plan?

Internationalisation strategy or export plan are not necessarily a document but a process that should be carefully designed and thought through and is most probably part of larger business strategy/plan, answering the main questions:

1. Product/Service and the Customer Problem to be Solved
2. Target Customers and Channels to Market
3. Competitors
4. Marketing & Sales Processes
5. Marketing Tactics
6. Resources, including Finance
7. Company's Vision
8. Commercial Challenges

57% of SME do have a strategy for internationalisation/export plan. Among micro companies 47% does not have internationalisation strategy/export plan, among small companies 42% and among medium companies 20%. From the answers received we can assume that the respondents do understand internationalisation strategy/export plan as a document upon which the tapping into external markets starts.

Figure 42: Internationalisation strategy/export plan



5.1.8 Main reasons to go international

Key motivating factors for SME internationalisation are growth motives; knowledge-related motives; network/social ties; and domestic/regional market factors.

Growth Motives. Growth opportunities associated with international markets were identified as a key driver of firm internationalisation. Firms' overseas venturing decision also seems to be motivated by a need for business growth, profits, an increased market size, a stronger market position, and to reduce dependence on a single or smaller number of markets.

Knowledge-related Motives push and pull SME into international markets. “Push” dimension pertains to the importance of managers previous international experience and related management capacity factors. Search for knowledge assets may pull SME into international markets in order to obtain missing know-how required to maintain their lead in technological development.

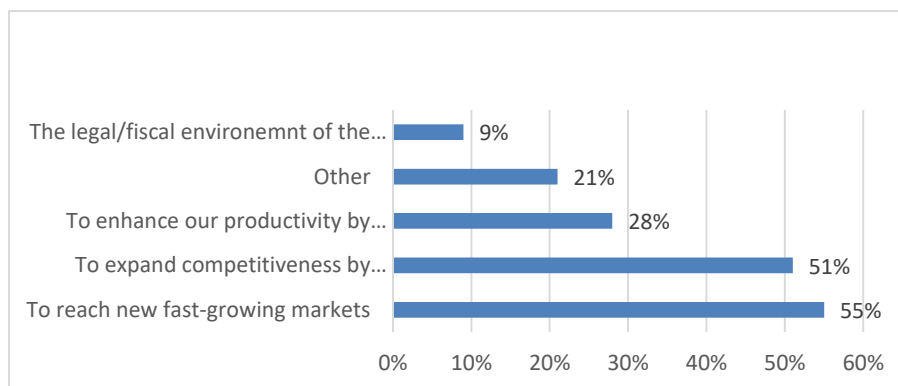
Network/Social Ties and Supply Chain Links are important triggers of SME first internationalisation step as well their extension of internationalisation processes.

Domestic/Regional Market Drivers are push effects of firms “limited or stagnating domestic market on internationalisation behaviour”.

Growth-related factors seem to be a particularly important internal motivator among the SME including access and integration into the supply chains of international players. This appears to mitigate some of the resource-related impediments associated with SME internationalisation. Equally important endogenous motivation is the possession of critical resource factors, including knowledge resources and capabilities. These resource-related factors typically take different forms, with those pertaining to managers’ internationalisation knowledge and firms’ innovation, technological and relational capabilities seeming to be most influential. Reflecting their status as social entities, SME are also motivated in their internationalisation decisions by factors within their external environment, including networks and supply chain links, social ties, and the sector and region to which they belong. These findings raise the question of whether, and the extent to which, these drivers of SME internationalisation behaviour are factored into government support provision.

In current study the respondents quoted as main reason to go international is to reach new fast-growing markets (55% of SME) as well as to expand competitiveness by accessing to new technologies and know-how (51%), 28% see it as an opportunity to enhance their productivity by reducing production costs and 9% the legal/fiscal environment of the targeted market.

Figure 43: Main reasons to go international



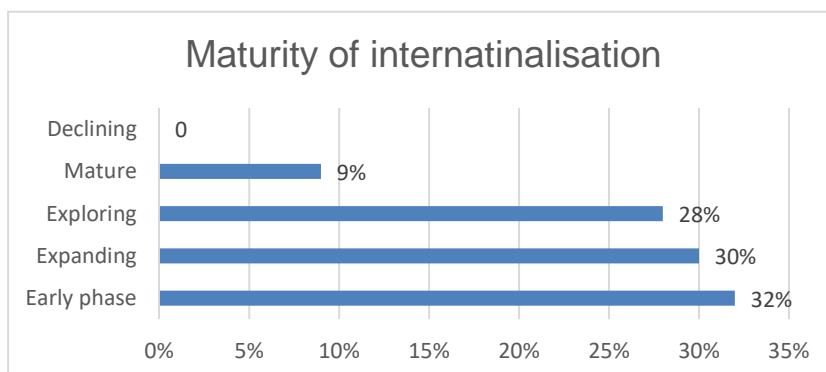
Source: own calculation

5.1.9 Degree of maturity

According to the stage approach, companies start selling products in their home markets and then they sequentially look at new countries. Two main models can be identified within the stage approach: the Product Life Cycle Theory by Raymond Vernon (1966; 1971; 1979) and the Uppsala Internationalization Model (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990). According to Vernon (1966; 1971) the internationalization process of the firm follows the development of the product Life Cycle: companies usually introduce new products only in their home market and then they eventually go abroad in the product maturity phase. The Uppsala Internationalization Model (Johanson & Vahlne, 1977, 1990) maintains that the “enterprise gradually increases its international involvement” (Johanson & Vahlne, 1990, p. 11). The entering of new markets by the firm is usually linked to the psychic distance: companies start their internationalization from those markets perceived as psychically near. Many firms do not follow incremental stage approach but is often reported that they start their international activities from their beginnings (Anderson et al., 2004), they enter different countries at once, approaching new markets for both exporting and sourcing. Literature on internationalization defines them as *born global firms* or *international new ventures*. The first ones are defined as “the firms that view the world as their marketplace from the outset and see the domestic market as a support for their international business” (McKinsey & Co., 1993), while the second ones as “business organizations that from inception seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1997).

The respondents in current study were asked, how mature is their internationalisation stage. 32% of SME are in early phase, 30% expanding, 28% exploring and 9% in mature phase. None has detected the declining phase. 67% of micro companies is in the exploring or early stage phase.

Figure 44: Maturity of internationalisation



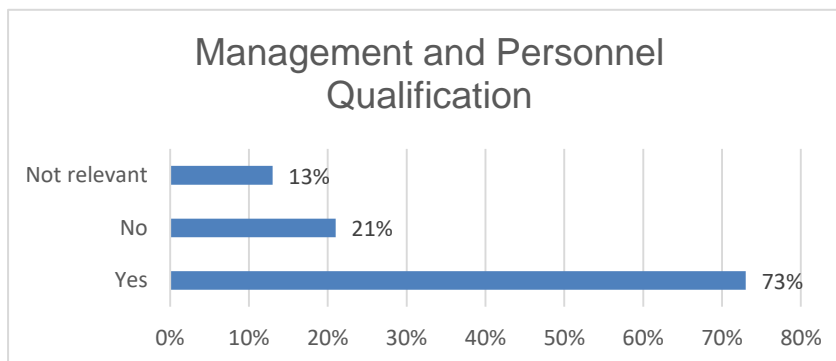
Source: own calculations

5.1.10 Management and personnel qualifications

Recognition of the role of management in the international development of SME has been identified in many international SME and entrepreneurship empirical studies. Management is also viewed as responsible for the mode, direction and speed with which the company advances along the international path. In most export development models, the decision-maker is viewed as the key factor behind the firm's progression from one stage to another, particularly through the interplay of decisions involving foreign market knowledge and commitment. It is also argued that the network relationships formed and maintained by management not only drive internationalisation, but also influence the pattern and direction of investment. More often, the impact of individual opportunities and circumstances in SME leads to opportunistic and haphazard pattern of expansion, characterised by a lesser degree of determinism and a more active role given to the decision-makers of the firm (Hutchinson et al, 2006).

73% of the respondents do think that the management and personnel qualifications are adequate to develop internationalisation activities, whereas 13% denote it as irrelevant. None of the medium sized SME respondent to the question with no/not-relevant answer; 25% of the small SME denoted no/not-relevant answer and 42% of the micro SME.

Figure 45: Management and Personnel Qualification

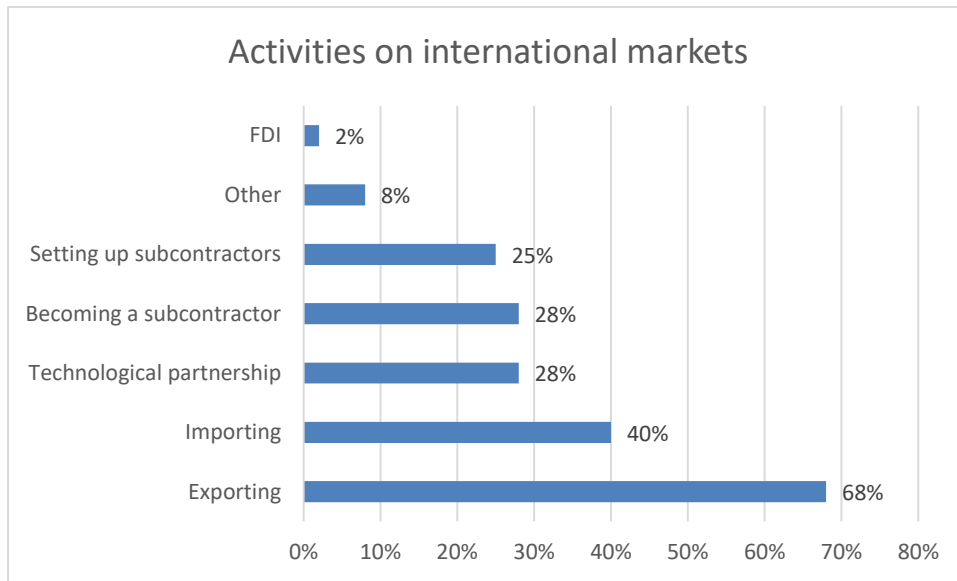


Source: own calculations

5.1.11 Type of activities on international markets

The SME major activities on international markets is exporting (68%) and to lesser extent importing (40). Becoming a subcontractor or setting up technological partnership are less represented among the international activities of SME. Only one respondent performs FDI.

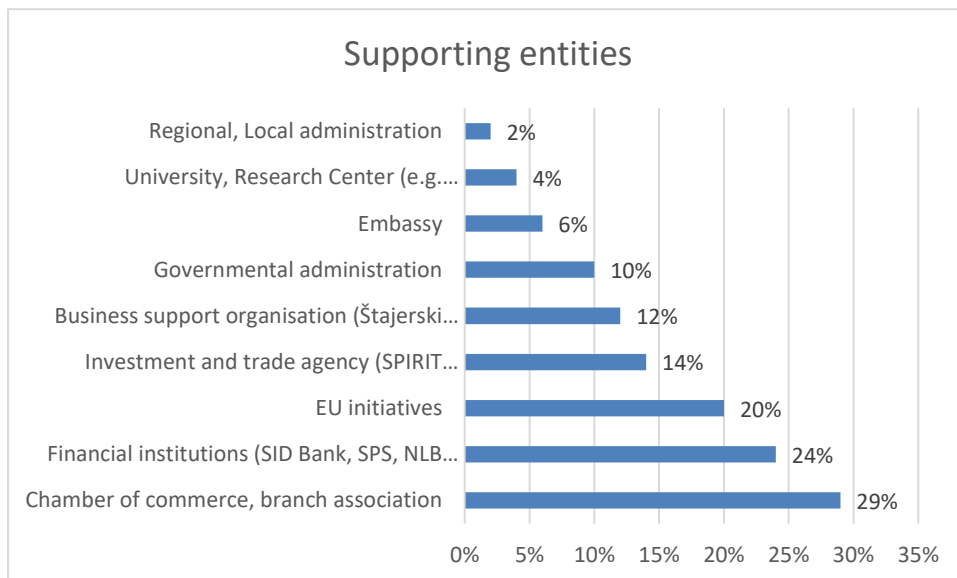
Figure 46: Activities on international markets



Source: own calculations

The SME denoted as most used support of Chamber of commerce and branch associations (29%), financial institutions (24%), EU initiative (20%) and the national investment and trade agency SPIRIT Slovenia in 14%.

Figure 47: Supporting entities



Source: own calculations

Governmental support was used only by 5 SME, of which 4 were micro and 1 small sized company. Only one micro company used the local administration support. EU initiative was accessed by 7 micro, 2 small and 1 medium sized company. Financial institutions by 8 micro, 3 small and 1 medium sized respondent. Support by business support organisations was

accessed only by micro companies. The support of SPIRIT was used by 2 micro and 5 small companies.

5.2 INTERNAL BARRIERS

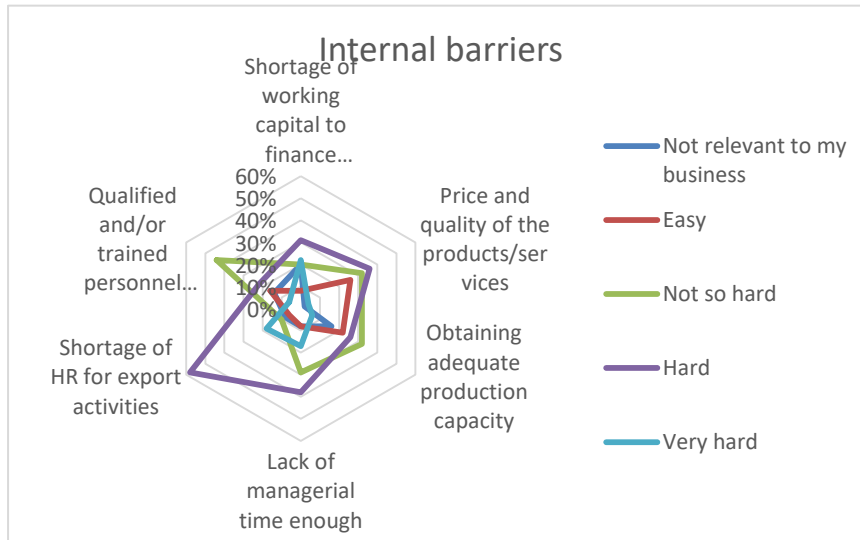
Internal barriers of the enterprises are associated with their organisational resources or capabilities and company`s approach to export business. The literature (e.g. OECD, EC) the most common cited internal barriers of SME are shortage of working capital to finance export, price and quality of the products/services, obtaining adequate production capacity, lack of managerial time enough to deal with internationalisation, shortage of HR for export activities, lack of qualified/trained personnel for export activities. In our survey the respondents were asked to mark weather the internal barrier is not relevant, easy, not so hard, hard or even very hard to overcome. The summary of the results is in the frame below.

Internal barrier of SME that is hard or very hard to overcome (Σ 53%) is shortage of working capital to finance export, which is hardest to deal with among micro enterprises but irrelevant for the medium sized SME. For 26 out of 48 respondents represent the lack of managerial time to deal with internationalization an internal barrier that hinders their internationalization activities. The SME are coping also with the shortage of human resources for export activities, highly challenging for micro companies. For 28% of respondents the qualified and trained personnel for internationalization does represent internal barrier that is hard or even very hard to overcome. Adequate production capacities do not represent the internal barrier to be hard to deal with (except for the 3 micro SME) as presented in the table 12 below.

Table 12: Internal barriers

Answer	Not relevant to my business	Easy	Not so hard	Hard	Very hard
Shortage of working capital to finance export	20%	8%	20%	31%	22%
Price and quality of the products/services	2%	26%	32%	36%	4%
Obtaining adequate production capacity	16%	22%	32%	26%	6%
Lack of managerial time enough to deal with internationalisation	8%	8%	29%	38%	17%
Shortage of HR for export activities	8%	6%	10%	58%	18%
Qualified and/or trained personnel for internationalisation not enough	14%	16%	44%	22%	6%

Figure 48: Internal barriers



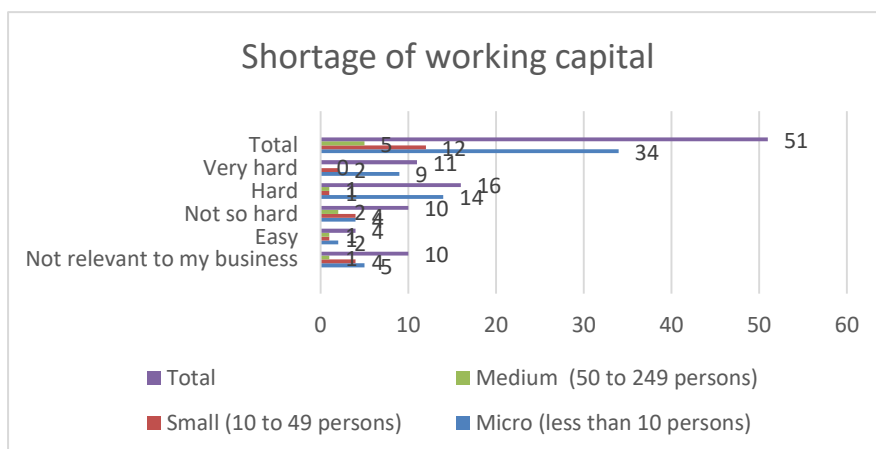
Source: own calculation

In the following subsections the responses are presented according to the micro, small and medium sized representatives.

5.2.1 Shortage of funds to finance working capital

Shortage of funds to finance working capital for internationalisation represents difficulty in allocating and/or justifying adequate expenditure towards researching overseas markets, visiting foreign customers, adapting international marketing strategies. In the current study the shortage of working capital is hardest to be dealt with among the micro enterprises but not an issue among the medium sized companies as presented in the Figure 49 below.

Figure 49: Shortage of working capital

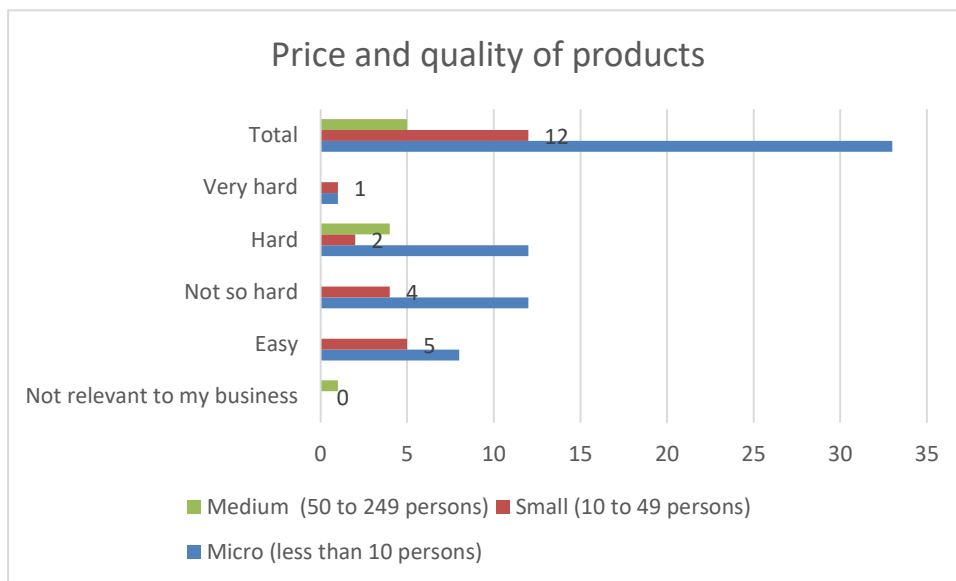


Source: own calculation

5.2.2 Product and Price Barriers

Product and Price Barriers are pressures imposed by external forces on adapting the elements of the company's product and pricing strategy. In current study 3 out of 12 small, 13 out of 33 micro and 4 out of 5 medium companies responded that the price and quality of the products/services represent the internal barrier that is hard or even very hard to overcome.

Figure 50: Price and quality of products

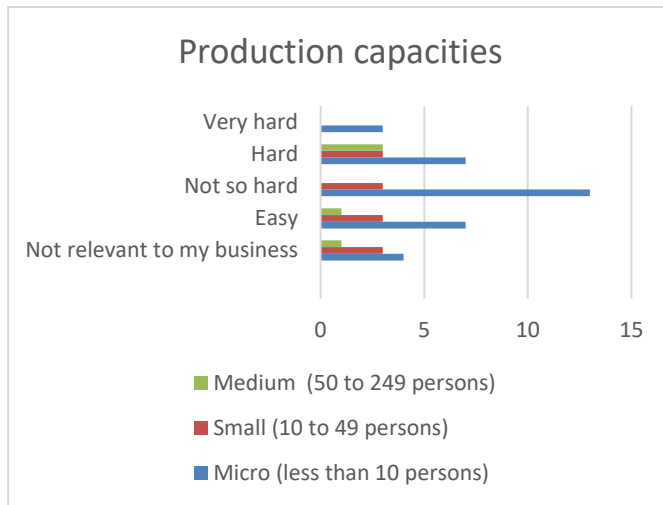


Source: own calculation

5.2.3 Lack of adequate production capacity

Lack of excess production capacity for foreign markets represent inexistence of or inability to generate excess production over and above what the domestic market requires in order to initiate or expand export business operations. In current study the adequate production capacities were not relevant for 8 out of 50 respondents and are easy to be dealt with for 11 companies and not so hard for 13 companies and hard or very hard for 3 micro companies.

Figure 51: production capacities

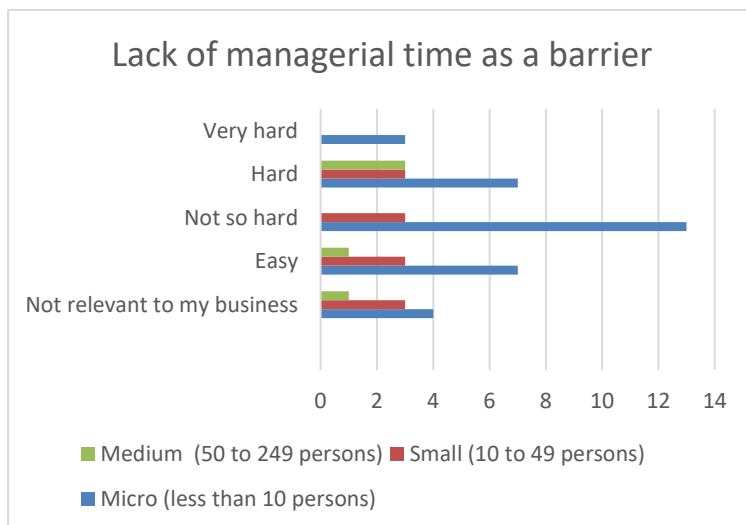


Source: own calculation

5.2.4 Lack of managerial time

Lack of managerial time to deal with internationalisation demonstrates inability for managers to devote sufficient time, resources and energy towards selecting, entering and expanding into foreign markets, designing marketing strategies, and conducting business with overseas customers. Lack of managerial time is not relevant for 4 out of 48 respondents. 3 micro and 1 small SME responded it is easy to deal with and further 14 that is not so hard to deal with. For 18 companies the lack of managerial time enough to deal with internationalisation represent an internal barrier that hinders their internationalisation activities. For 26 out of 48 respondents the barrier is hard or even very hard to deal with.

Figure 52: Lack of managerial time

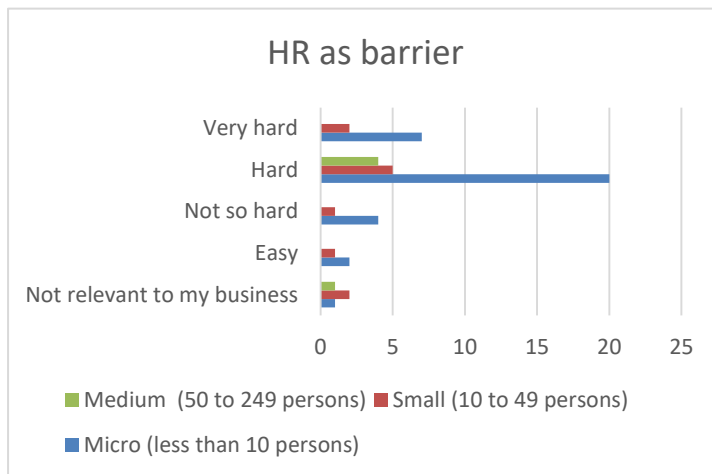


Source: own calculation

5.2.5 Shortage of HR

Human Resource Barriers reveal inefficiencies of human resource management with regard to internationalisation. 27 out of 34 micro, 7 out of 11 small and 4 out of 5 medium sized companies do face the challenges caused by shortage of human resources for export activities.

Figure 53: HR as barrier

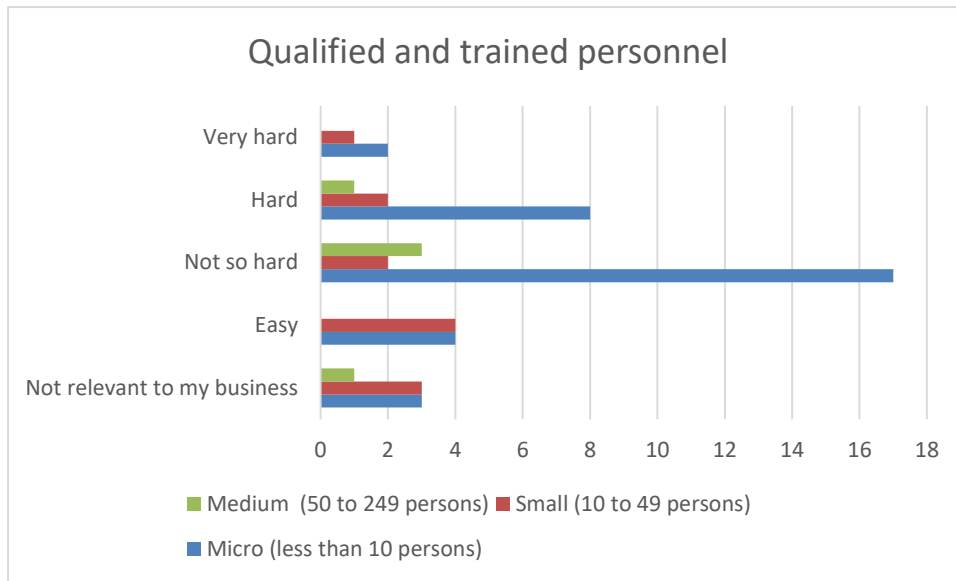


Source: own calculation

5.2.6 Lack of qualified/trained personnel

Insufficient quantity of and/or untrained personnel for internationalisation stands for problems associated with insufficient numbers of personnel to handle the excess work demanded by international operations, in addition to a lack of specialised knowledge and expertise within the company to deal with international business tasks such as documentation handling, logistical arrangements, and communicating with foreign customers (including knowledge of foreign languages, cultures and hands-on export experience). In the current study 14 out of 50 respondents do see the qualified and/or trained personnel for internationalisation as internal barrier that is hard or even very hard to overcome. However, 37 companies do not see it as major challenge.

Figure 54: Qualified and trained personnel



Source: own calculation

5.3 EXTERNAL BARRIER

External barriers do arise from the home and host environment in which the SME do operate. In the OECDs Glossary for Barriers to SME Access to International Markets (<http://www.oecd.org/cfe/SME/glossaryforbarrierstosmeaccesstointernationalmarkets.htm>)

five larger groups of external barriers are explained: 1) Procedural barriers that are associated with the operating aspects of transactions with foreign customers (unfamiliarity with exporting procedures/paperwork; difficulty in communicating with foreign customers; slow collection of payments from abroad; difficulty in enforcing contracts and resolving disputes); 2) Governmental Barriers that are associated with the actions or inaction by the home and foreign government in relation to its indigenous companies and exporters (lack of home government assistance/incentives; unfavourable home rules and regulations; restrictions to have foreign ownership; restrictions on the movement of people/business persons; unfair treatment compared to domestic firms in tax or eligibility to affiliate; unfair treatment compared to domestic firms in public procurement and competition regulation; non-transparency of laws and regulations in the foreign country); 3) Customer and Foreign Competitor Barriers that are associated with the firm`s customers and competitors in foreign markets, which can have immediate effect on its export operations (different foreign customer habits/attitudes; keen competition in foreign markets); 4) Business Environment Barriers (poor economic conditions

abroad; foreign currency exchange risks; unfamiliar foreign business practices; different socio-cultural traits; verbal/non-verbal language differences; inadequacy of infrastructure for e-commerce; political instability in foreign markets); 5) Tariff and Non-tariff Barriers that are associated with restrictions on exporting and internationalising imposed by government policies and regulations in foreign markets (tariff barriers; inadequate property rights protection; restrictive health, safety and technical standards; unfavourable quotas and/or embargoes; high costs of customs administrations; competitors with preferential tariff b regional trade agreements).

In the current study the respondents were asked for their perception of external barriers: ensuring investments for internationalisation, obtaining transparency of financing schemes, overcoming export administrative restrictions, difficulties in identifying foreign business opportunities, finding strategic info to locate/analyse markets; ability to contact potential overseas customers, IPR protection; collaboration with supporting bodies, obtaining home government support; obtaining reliable foreign representation; ability to overcome strong local competitors; excessive transportation costs; relations with local suppliers/partners /agents/distributors. For each of the external barrier the respondents were asked to determine how they perceive it: from not relevant to their business, to easy, not so hard, hard or even very hard to deal with. Their responses are in summary depicted in the frame below.

Among the external barriers the ability to overcome strong local competitors is most challenges (61% of respondents do see it as hard or even very hard to overcome), followed by ensuring investments for internationalization (55%), obtaining reliable foreign representation (50%), finding strategic information to locate/analyse markets (49%) and ability to contact potential overseas customers (46%). For 63% of the respondents the collaboration with the supporting bodies does not represent an external barrier that would be hard to overcome (for 13% is even irrelevant). However, the 42% of respondents rated the obtaining of home government support as hard or even very hard, 41% as easy and not so hard and for 17% irrelevant. Excessive transportation costs do represent the external barrier that is hard or even very hard to be dealt with for 44% and is irrelevant for 17% of respondents. Relations with local suppliers is challenging for 43% and IPR protection for 41% of respondents.

In the table 13 the perception of external barriers by the Slovenian SME is showcased.

Table 13: External barriers

	Not relevant to my business (1)	Easy (2)	Not so hard (3)	Hard (4)	Very hard (5)	
Ensuring investments for internationalisation	19%	6%	21%	40%	15%	
Obtaining transparency of financing schemes	23%	9%	28%	32%	9%	
Overcoming export administrative restrictions	20%	11%	29%	31%	9%	
Difficulties in identifying foreign business opportunities	6%	19%	38%	30%	6%	
Finding strategic information to locate/analyse markets;	11%	9%	32%	45%	4%	
Ability to contact potential overseas customers	4%	13%	38%	42%	4%	
IPR protection	30%	11%	17%	30%	11%	
Collaboration with the supporting bodies	13%	15%	35%	28%	9%	
Obtaining home government support	17%	17%	24%	22%	20%	
Obtaining reliable foreign representation	24%	13%	15%	22%	28%	
Ability to overcome strong local competitors	11%	7%	22%	37%	24%	
Excessive transportation costs	17%	11%	28%	37%	7%	
Relations with local suppliers/partners/agents/distributors	11%	17%	30%	32%	11%	

Source: own calculation

Figure 55: External barriers

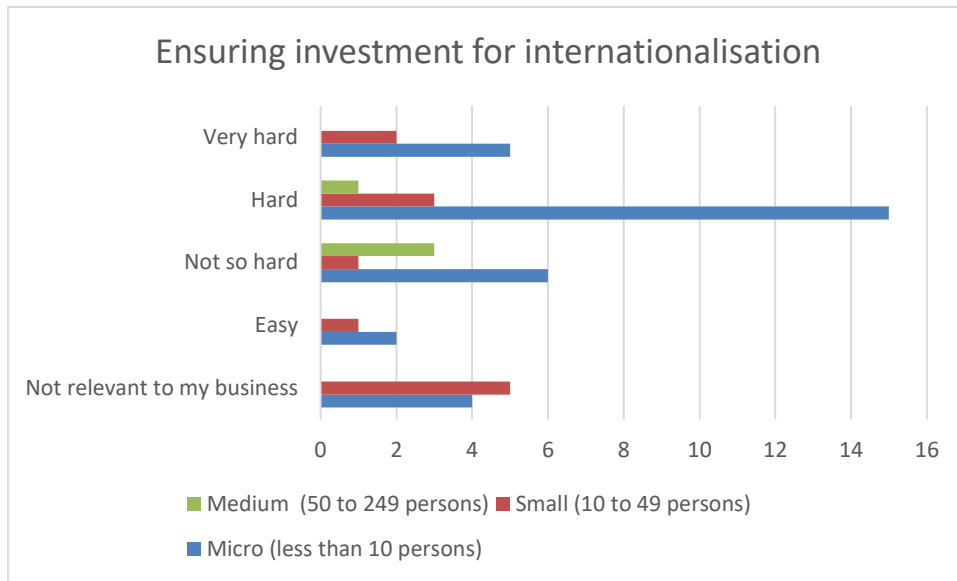


Source: own calculation

5.3.1 Ensuring investments for internationalisation

12 out of 32 micro, 7 out of 12 small and 3 out of 4 medium sized companies do not see the ensuring of investment for internationalisation as relevant to their businesses or as the barrier that would be hard to overcome. However, 20 micro companies perceive the ensuring of investments for internationalisation as hard or even very hard challenge.

Figure 56: Ensuring investments for internationalisation

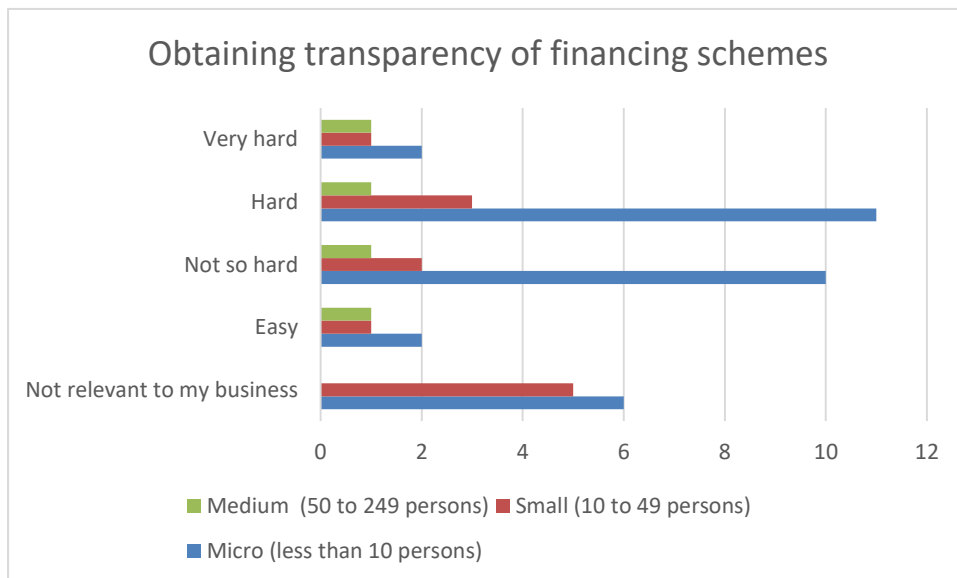


Source: own calculation

5.3.2 Transparency of financing schemes

13 out of 31 micro, 4 out of 12 small and 2 out of 4 medium sized companies perceive the transparency of financing schemes as challenging to cope with.

Figure 57: transparency of financing schemes

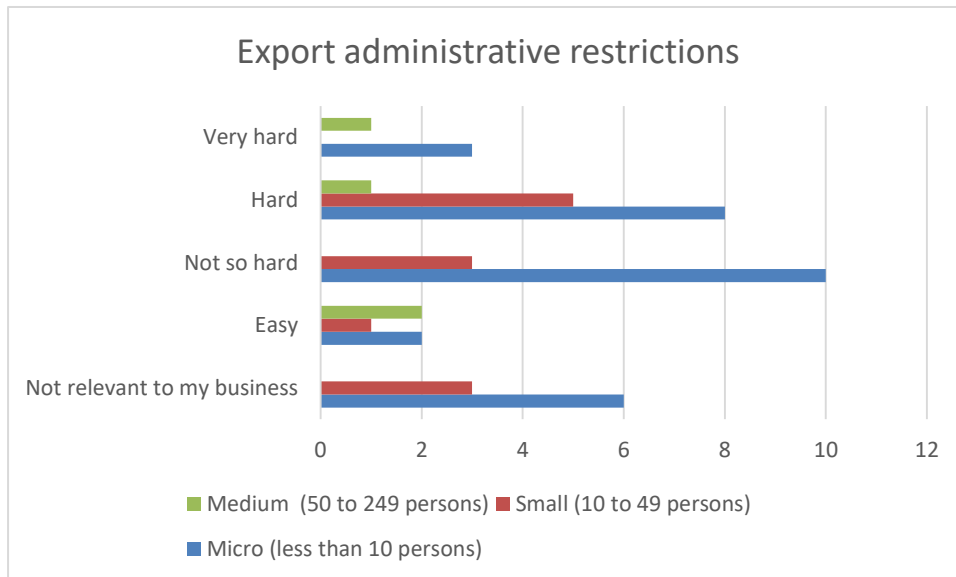


Source: own calculation

5.3.3 Export administrative restrictions

Overcoming export administrative restrictions is perceived as hard or very hard by 11 out of 29 micro companies, 5 small companies and 2 medium sized companies. 27 out of 45 respondents do not perceive the export administrative restrictions as those to be hard to overcome.

Figure 58: Export administrative restrictions

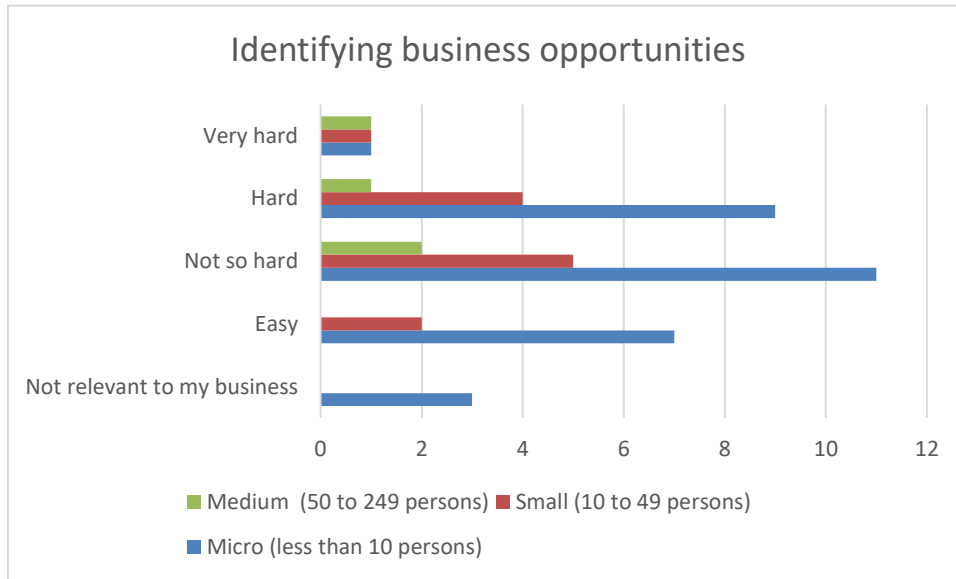


Source: own calculation

5.3.4 Identifying business opportunities

17 out of 45 respondents perceive the identification of business opportunities abroad as hard or even very hard to overcome.

Figure 59: Identifying business opportunities

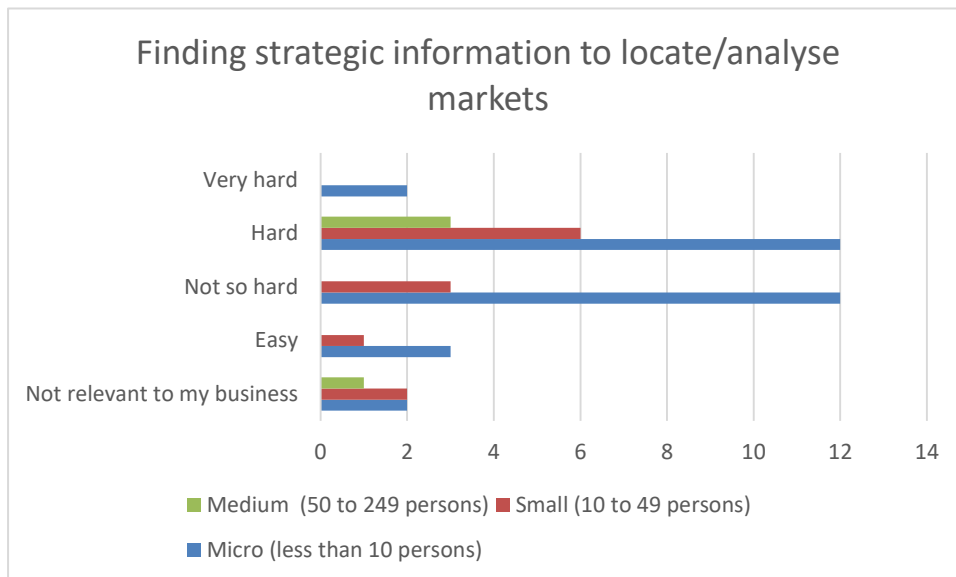


Source: own calculation

5.3.5 Finding strategic info

23 out of 47 respondents think that finding strategic information to locate/analyse the markets is hard or even very hard.

Figure 60: Finding strategic information to locate/analyse markets

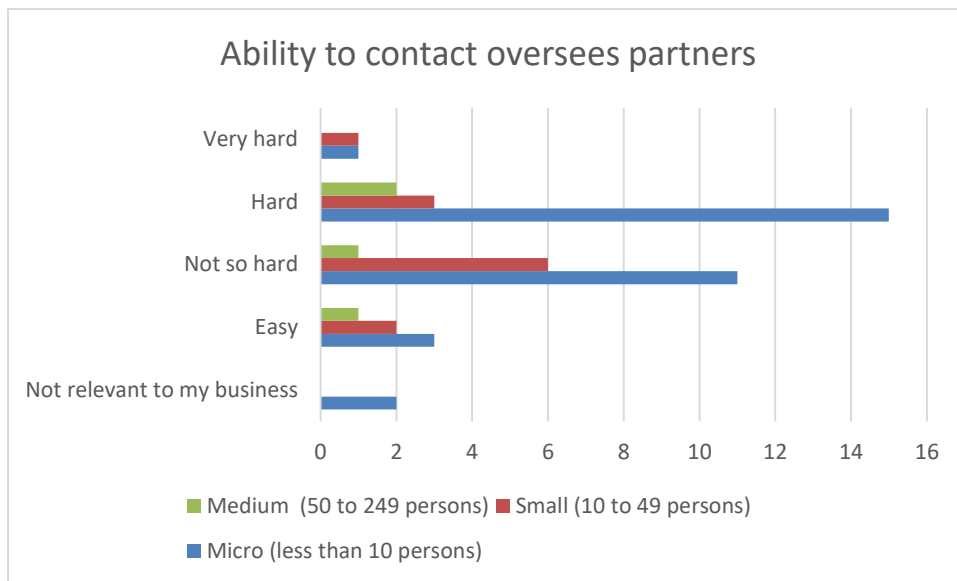


Source: own calculation

5.3.6 Ability to contact overseas partners

22 out of 48 respondents acknowledge the ability to contact overseas partners as hard or even very hard, 6 see it as an easy task whereas 3 do not find it relevant for their business.

Figure 61: Ability to contact overseas partners



Source: own calculation

5.3.7 IP protection

19 out of 46 respondents do see the intellectual property protection as a hindering point when going international. However, 14 respondents do not perceive it as relevant for their business.

Figure 62: IP protection

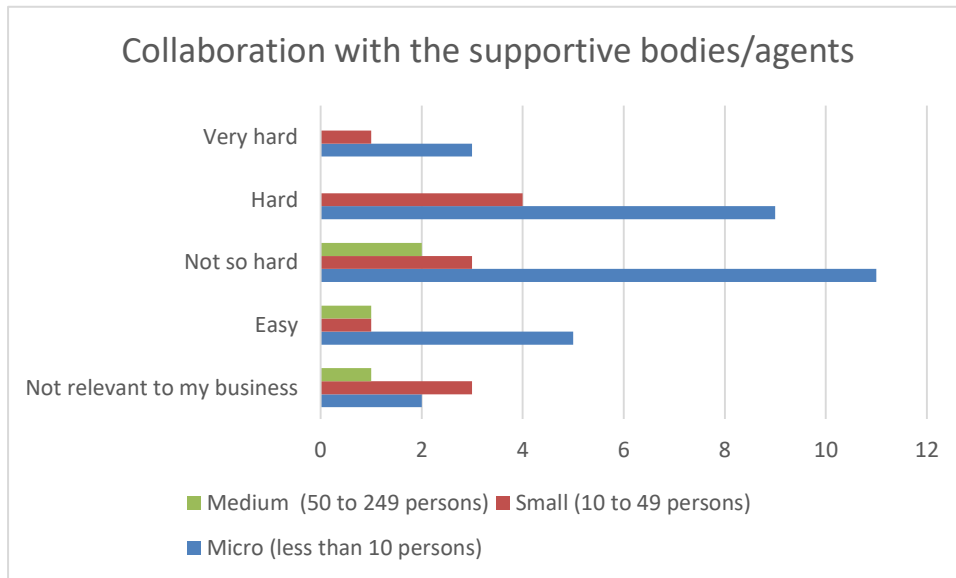


Source: own calculation

5.3.8 Collaboration with the intermediaries

For 17 respondents the collaboration with the supporting bodies/public institutions, banks, chambers of commerce, business associations etc. is perceived as hard or even very hard. 6 respondents do not see it as relevant for their business and 7 as easy to cope with.

Figure 63: Collaboration with the supportive bodies/agents

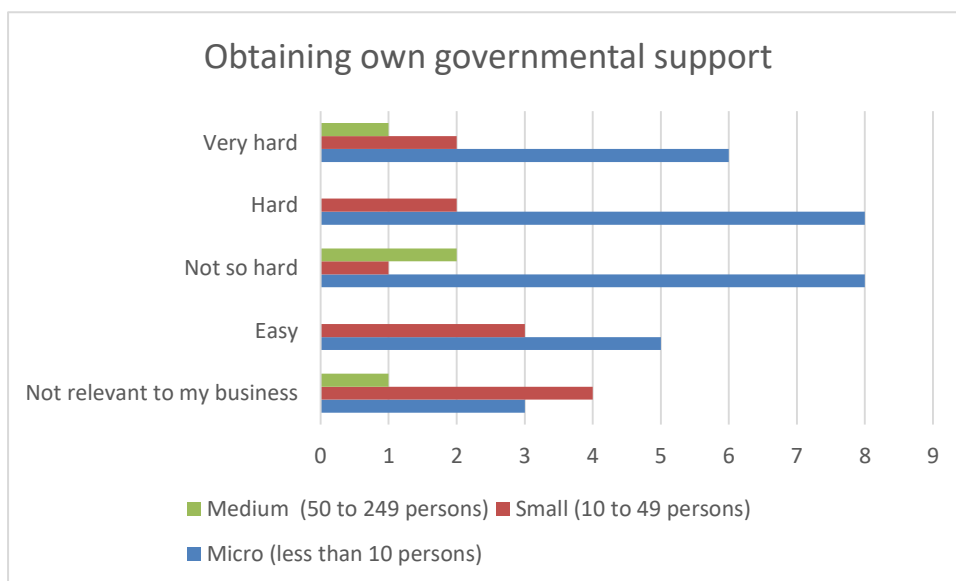


Source: own calculation

5.3.9 Obtaining own governmental support

Obtaining own governmental support is perceived as hard or very hard by 19 respondents and not relevant for their business by 8 of them. However, 8 respondents (of which 5 representing the micro and 3 small ones) perceive it as easy.

Figure 64: Governmental support

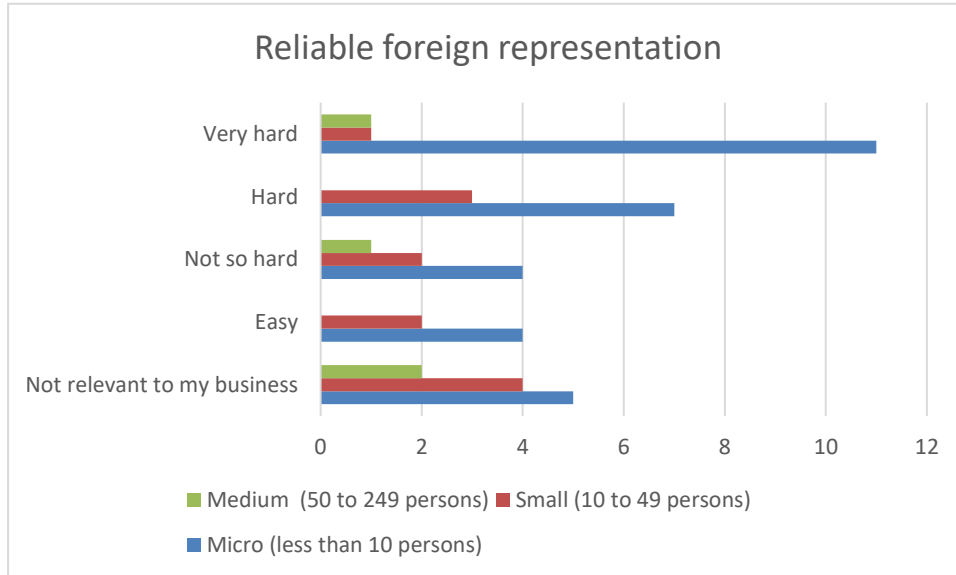


Source: own calculation

5.3.10 Reliable foreign representation

For 11 respondents obtaining the relevant foreign representation is very hard. It is perceived as easy by 6 respondents and by 23 (out of 46) as hard or even very hard.

Figure 65: Reliable foreign representation

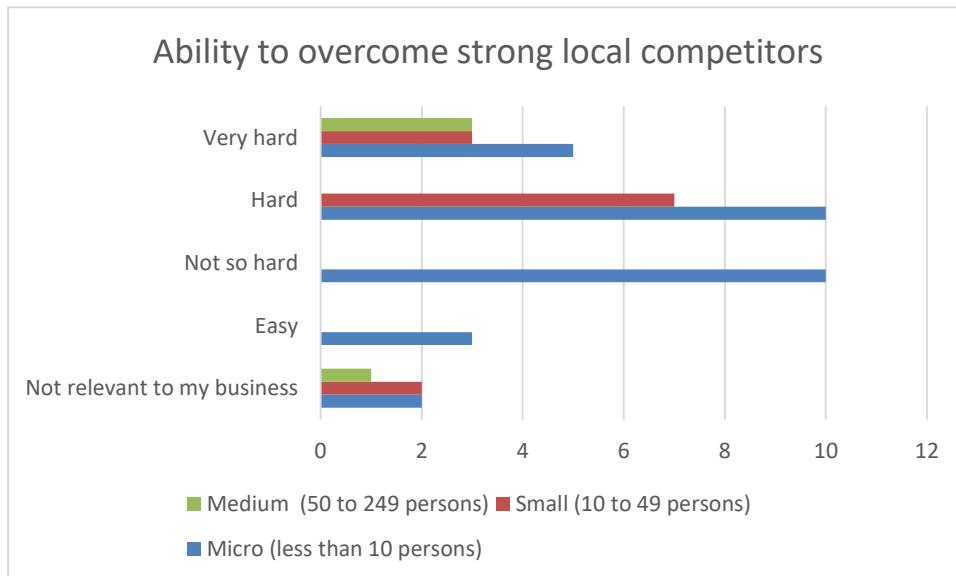


Source: own calculation

5.3.11 Ability to overcome strong local competitors

5 respondents do not account ability to overcome strong local competitors as relevant for their business. It is perceived as easy task by 3 micro companies and by further 10 as not so hard and by 28 out of 46 as hard or even very hard.

Figure 66: Ability to overcome strong local competitors

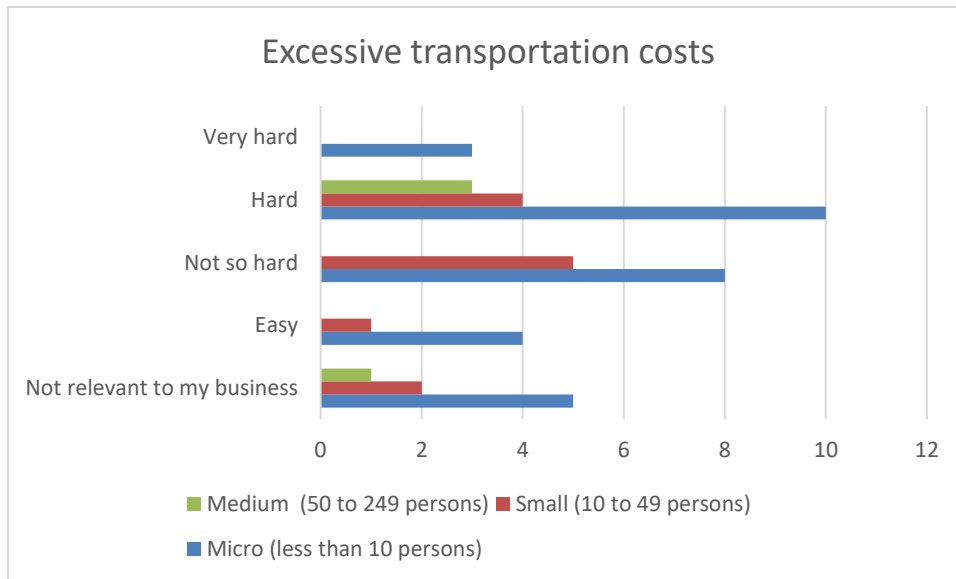


Source: own calculations

5.3.12 Excessive transportation costs

For 8 respondents the excessive transportation costs are not relevant for doing their business abroad, for 5 it is easy to overcome, and for further 13 not so hard to cope with. By 20 of them it is perceived as hard or even very hard.

Figure 67: Excessive transportation costs

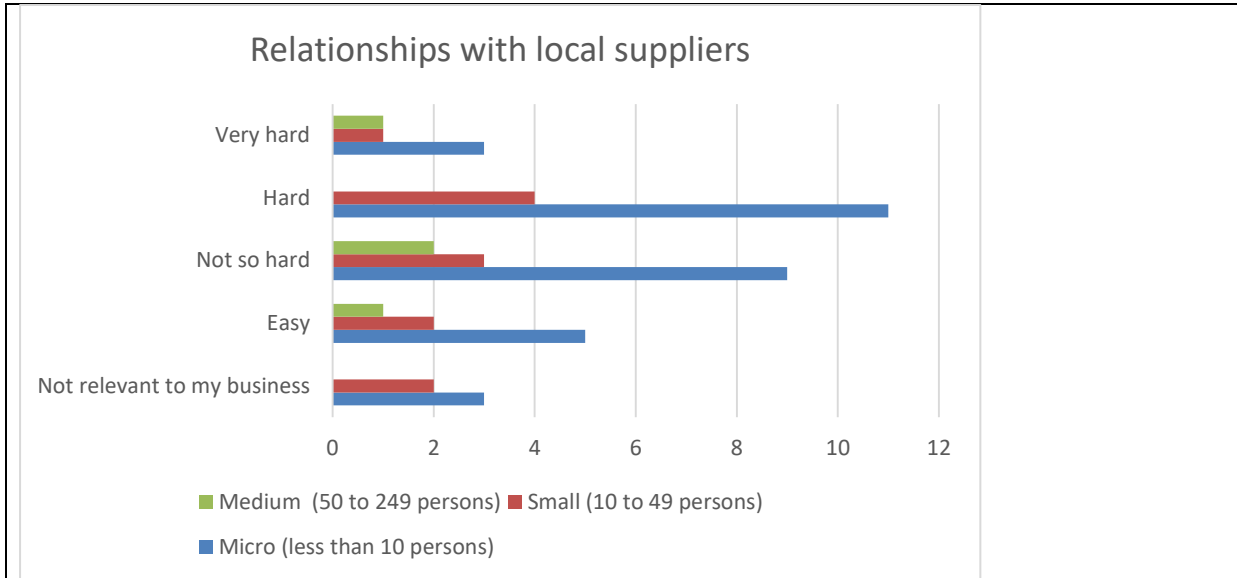


Source: own calculations

5.3.13 Relationships with local suppliers

Relationships with local suppliers are not relevant for 5 respondents, they are easy to cope with for 8 of them, for further 14 not so hard to cope with and for 20 hard or even very hard (of total 47).

Figure 68: Relationships with local suppliers



Source: own calculations

5.4 SERVICES AND ACTIVITIES FOR SUPPORT

5.4.1 Modes of entry and support services

Possible modes of entry into international markets include direct and indirect exports via a domestic intermediary, non-equity contractual modes (for example, licensing, franchising, and management contracts; subcontracting, long-term contracts and offshoring), and equity-based modes. Since SME face higher resource constraints in terms of financing, information, and management capacity – as well as external barriers such as market imperfections and regulations – they tend to resort more often to forms of internationalisation that require less commitment. For similar reasons, SME choose contractual arrangements more often than large firms and prefer minority stakes to full ownership. However, there is extensive support to the internationalisation provided by governmental agencies for internationalisation as well as other public as well private intermediaries/agents. How that kind of support is perceived as crucial in the first internationalisation activities is depicted in the table 14 below.

Table 14: Support services

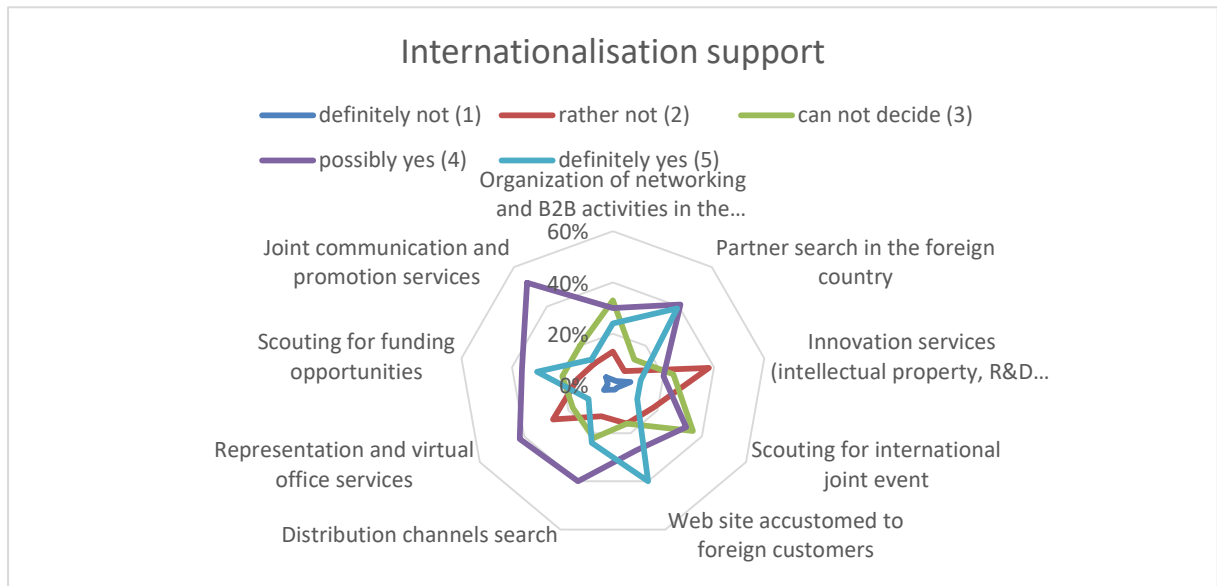
Q21	What kind of supports are/were crucial to your first internationalisation activities? (with 1 being definitely not and 5 being definitely yes)						Valid
	Sub-question	Answers					
		definitely not (1)	rather not (2)	cannot decide (3)	possibly yes (4)	definitely yes (5)	

Q21a	Organization of networking and B2B activities in the foreign country	1 2%	6 13%	15 33%	14 30%	11 24%	46	65
Q21b	Partner search in the foreign country	1 2%	3 7%	6 13%	19 41%	18 39%	46	65
Q21c	Innovation services (intellectual property, R&D collaborations)	3 7%	17 38%	11 24%	9 20%	5 11%	45	65
Q21d	Scouting for international joint event	1 2%	8 18%	16 36%	15 33%	5 11%	45	65
Q21e	Web site accustomed to foreign customers	1 2%	7 16%	7 16%	12 27%	18 40%	45	65
Q21f	Distribution channels search	1 2%	6 13%	10 22%	18 40%	11 24%	45	65
Q21g	Representation and virtual office services	2 4%	12 27%	8 18%	19 42%	5 11%	45	65
Q21h	Scouting for funding opportunities	1 2%	6 14%	9 20%	16 36%	13 30%	44	65
Q21i	Joint communication and promotion services	2 4%	5 11%	9 20%	24 52%	6 13%	46	65
Q21j	Other/specify/:	1 33%	0 0%	1 33%	0 0%	1 33%	3	65

For their first internationalisation activities the most crucial was support for partner(s) in a foreign country (80%), web-sites accustomed to foreign customers (67%), scouting for funding opportunities (66%), joint communication and promotion services (65%), distribution channels search (64%) as well as organization of networking and B2B activities in the foreign country

(54%) representation and virtual office services (53%), much less important were innovation services (intellectual property, R&D collaboration) and scouting for international joint events.

Figure 69: internationalisation support: entry mode

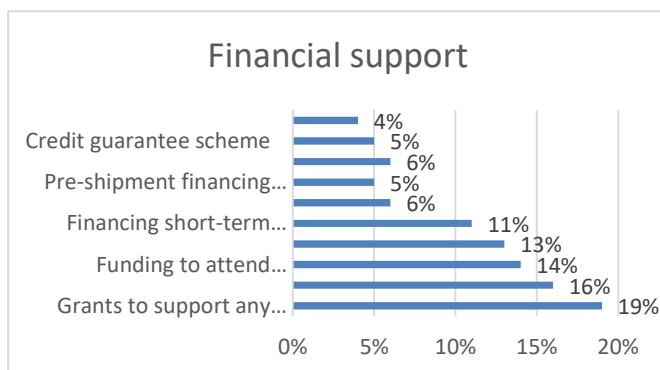


Source: own calculations

5.4.2 Financial tools that supported internationalisation

Mostly used financial tool for internationalisation were grants to support any stage of the internationalisation activity (61%), and grants for recruitment of advisors, researchers, accountants (52%) and funding to attend international trade vents and exhibitions (46%). Tax incentives (41%), financing short-term exports (35%), insurance solutions and risk management (20%) and loans (20%), pre- and post-shipment financing (15%), credit guarantee scheme (15%) were used less. 13% of SME did not use any of the financial instruments for their internationalisation activities.

Figure 70: Financial tools

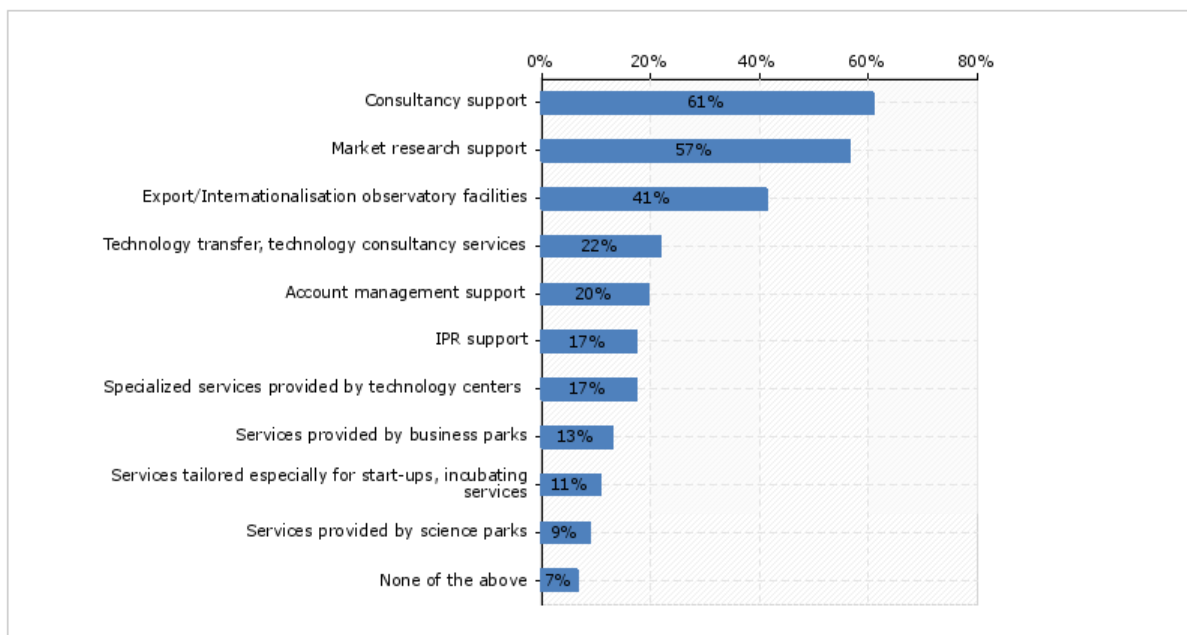


Source: own calculations

5.4.3 Support infrastructure and services

Consultancy support (61%), market research support (57%) and export/internationalisation observatory facilities (41%) are for SME most appropriate and or useful internationalisation support infrastructure and services. Only 9% - 13% of SME consider the business parks, incubators, science parks as useful in their internationalisation endeavours as mostly they do not target internationalisation activities as isolated one but as horizontal activities among R&D&T activities.

Figure 71: Support infrastructure and services

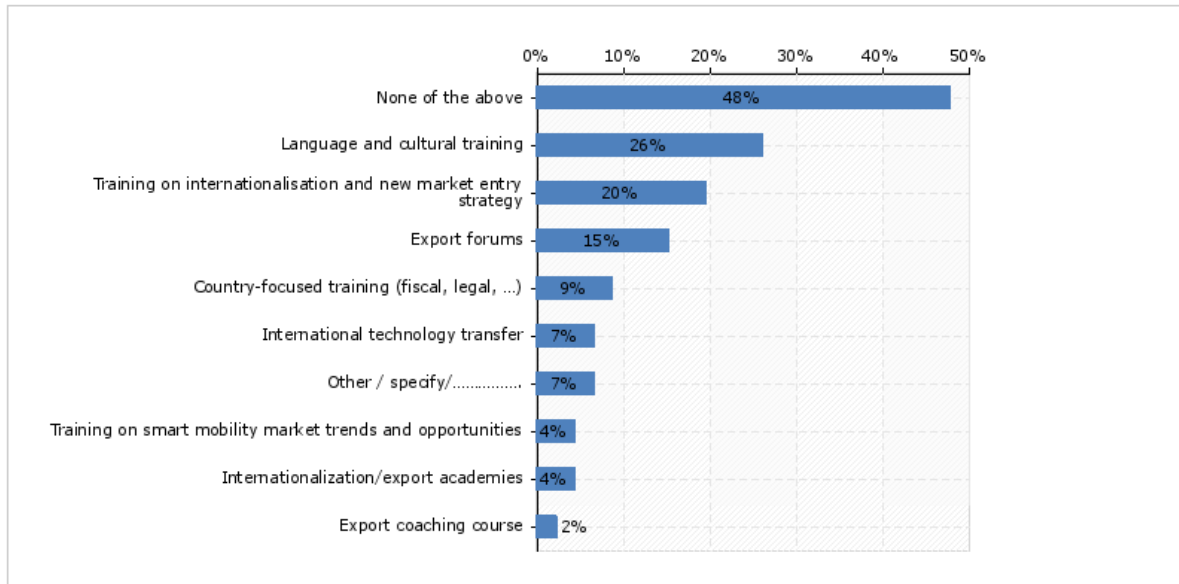


Source: own calculations

5.4.4 Services supporting HR/managerial capacity

48% of all respondents did not use any of the services supporting human resources/managerial capacity in their way of internationalisation. Language and cultural training was used by 26% of respondents, training on internationalisation and new market entry strategy by 20% and export forums by 15%. International technology transfer by 7%, training on smart mobility market trends and opportunities by 4%, internationalisation/export academies by 4% and export coaching course by 2%. The participation reflects the services offered in Slovenia.

Figure 72: Services supporting HR/managerial capacity

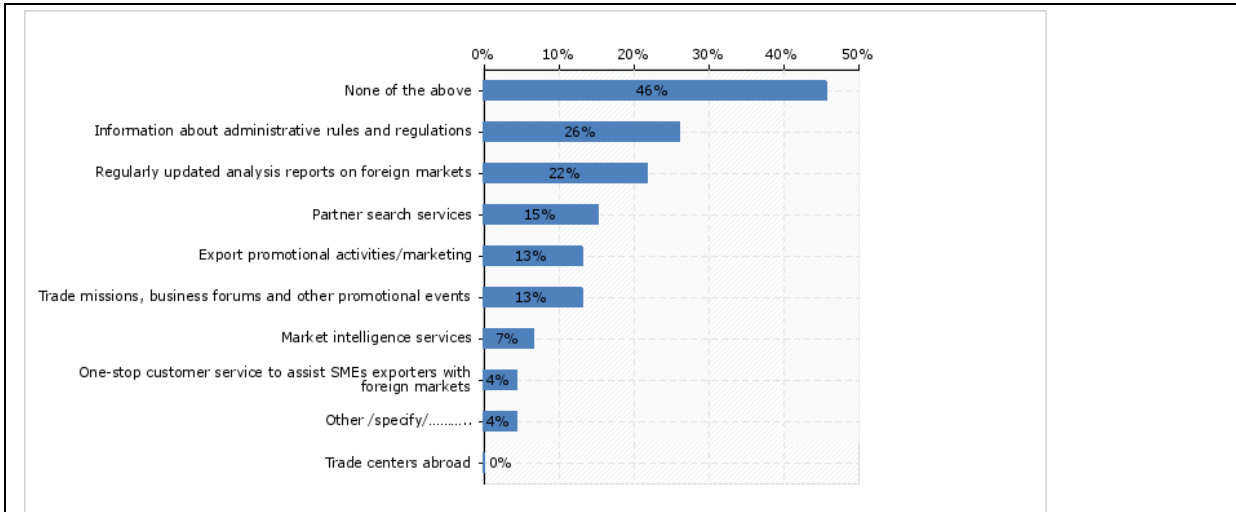


Source: own calculation

5.4.5 Information provision services

46% of SME did not use any of the information provisions offered in supportive environment. 26% used info regarding the administrative rules and regulations and 22% analysis reports on foreign market and additional 15% partner search services. Trade missions, business forums and other promo events as well export promo activities including marketing was used by 13% of SME. 7% used market intelligence services and 4% one-stop customer service.

Figure 73: Information provision services

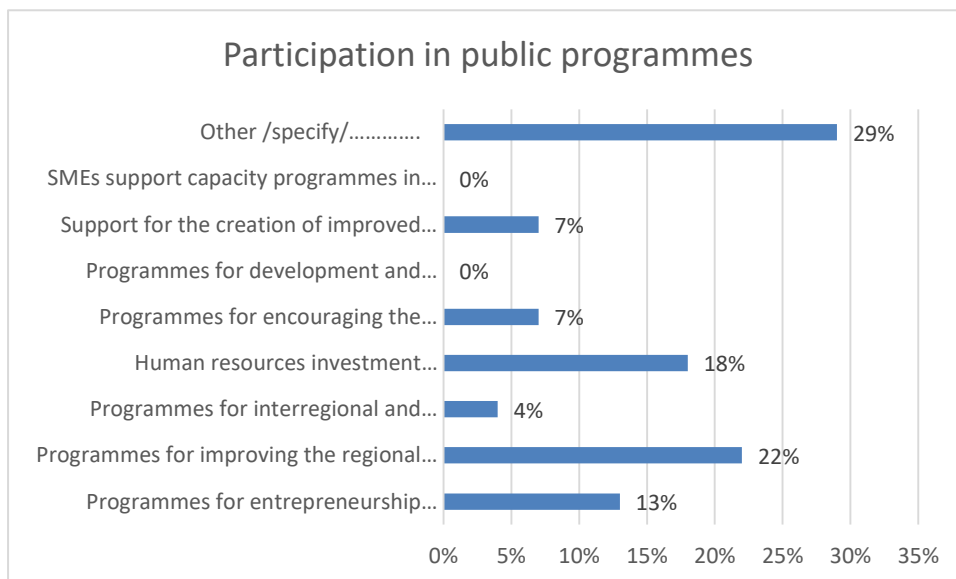


Source: own calculations

5.4.6 Participation in public programmes

35% of SME did not participate in any public programmes co-funded by the ESIF, 27% in programmes for improving regional and local environment for SME, 22% in HR investment programmes (ESF), 16% in programmes for entrepreneurship development, innovations, competitiveness of SME, 8% in programmes for encouraging entrepreneurial spirit, 8% used support for the creation of new products and services and 5% participated in programmes for interregional and transregional collaboration. None of them participated in programs for development and application of new business models for SME or in capacity programmes.

Figure 74: Participation in public programmes



Sources: own calculations

5.4.7. Aware of public possibilities

Respondents were asked if they are aware of diverse EU instruments supporting internationalisation. EEN network is constantly used by 2 companies, occasionally used by 12, 17 respondents are well informed but have not used it so far and 2 got basic info and 7 are not aware of it at all.

Business and Innovation Centers Network (EBN) is not constantly used by any respondent, occasionally used by 3, 20 respondents are well informed but have not used it so far and 2 got basic info and 12 are not aware of it at all.

IPR Helpdesk is constantly used by 1 respondent, occasionally used by 5, 16 respondents are well informed but have not used it so far and 5 got basic info and 13 are not aware of it at all.

Export Helpdesk is constantly used by 1 respondent, occasionally used by 5, 14 respondents are well informed but have not used it so far and 3 got basic info and 14 are not aware of it at all.

SME Trade Defence Helpdesk is constantly used by none of the respondent, occasionally used by 3, 15 respondents are well informed but have not used it so far and 3 got basic info and 15 are not aware of it at all.

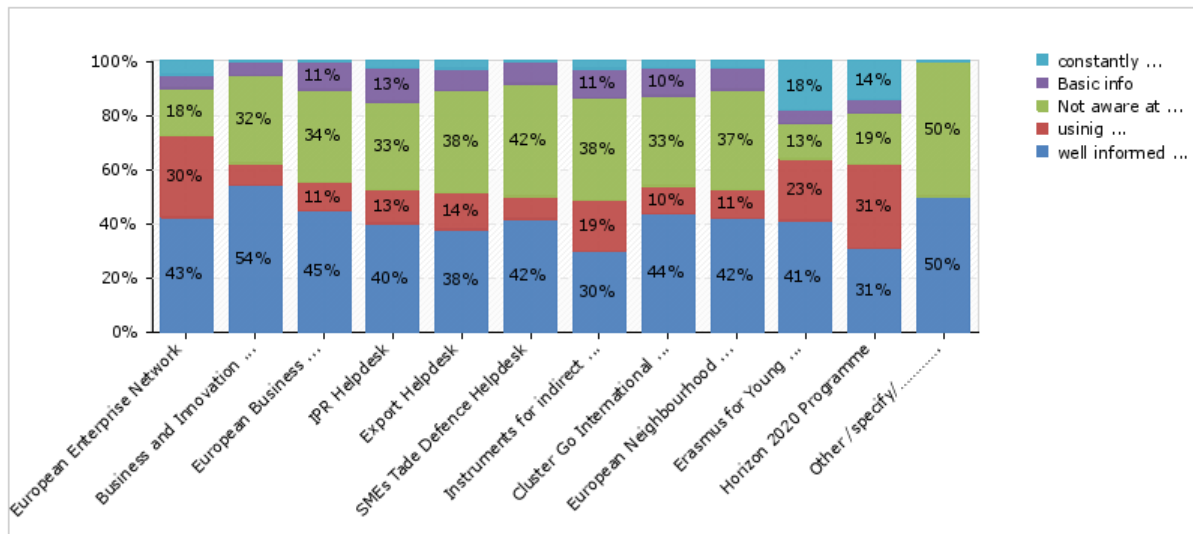
Instruments for indirect financial support funded by the EU is constantly used by one of respondent, occasionally used by 7, 11 respondents are well informed but have not used it so far and 4 got basic info and 14 are not aware of it at all.

Cluster Go International Action, within Cluster International of the EC is constantly used by one of respondent, occasionally used by 4, 17 respondents are well informed but have not used it so far and 4 got basic info and 13 are not aware of it at all.

European Neighbourhood Instrument (ENI 2014-2020) is constantly used by one of respondent, occasionally used by 4, 16 respondents are well informed but have not used it so far and 3 got basic info and 14 are not aware of it at all.

Erasmus for Young Entrepreneurs Programme is constantly used by 7 respondents, occasionally used by 9, 16 respondents are well informed but have not used it so far and 2 got basic info and 5 are not aware of it at all.

Figure 75: Being aware of the public instruments



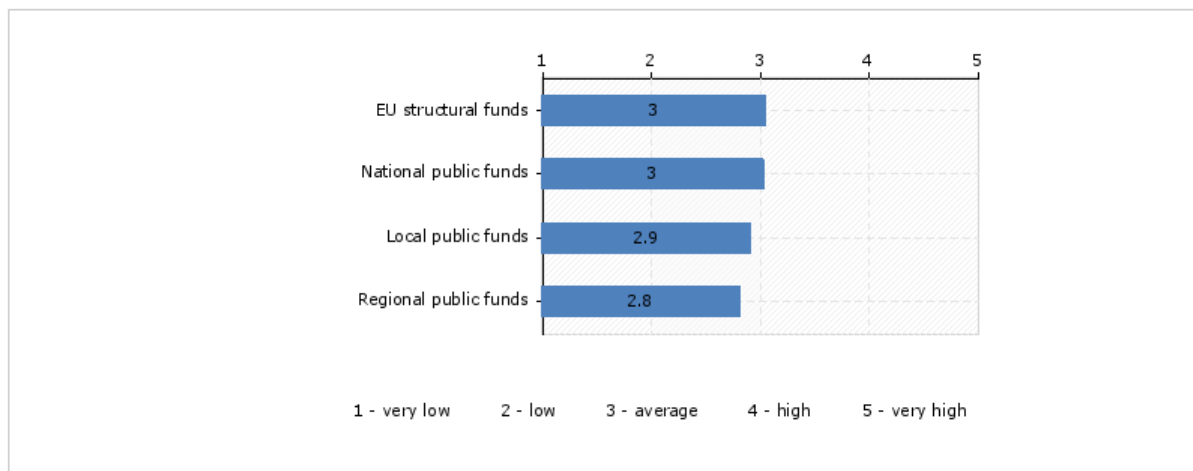
Sources: Own calculations

Above 50% of SME is not aware of or have basic info or even if well informed with no participation in the EU instruments supporting the internationalisation. Erasmus for young entrepreneurs (11%) and Horizon2020 Programme (9%) are two instruments with the highest involvement of SME in their constant use.

5.4.6 Perception of funds importance

The participants rated the EU structural funds, National public funds with average of 3 (on the scale 1 to 5), regional public funds with 2.8 and local public funds with 2.9. Their suggestions for improving the work of the public funds provided were shortly: lean administration, transparency and higher info flow.

Figure 76: importance of public funds for internationalisation



Sources: own calculation

5.4.7 SME suggestions for improvement

The respondents' suggestions for improving the work of the public funds provided were shortly: lean administration, transparency and higher info flow.

5.5 MAIN SURVEY'S RESULTS AT GLANCE

Knowledge and funds (smartness and costs)

Slovenian SME see their competitive advantage in high quality of products/services as well as high qualification of the personnel, of which both contribute to the R&TD activities. In line with the competitive advantage their focuses their development on quality of products and services, improving working conditions and employing new staff as well as the optimizing the total and production expenses. The R&D (technology readiness) is not relevant only for 17% of the micro companies.

Cohesion and national funds (both in equal share of 57%) were used by SME in the support of their internationalization endeavours. The absence of regional governance as well as scarce funds on municipal level do influence the SME participation on those. Preferably they use grants (49%) and loans (47%).

57% of SME do have a strategy for internationalization/export plan. The main reason to go international is to reach new fast-growing markets (55%) as well as to expand competitiveness by accessing new technologies and know how (51%). Least important is the legal/fiscal environment of the targeted market (9%). 32% are in an early phase of internationalization, 30% are expanding, 28% are exploring and 9% are in mature phase.

73% of SMEs do think that the management and personnel qualifications are adequate to develop internationalization activities.

The main activities on international markets remains exporting (68%) as well as importing (40%).

SMEs received their support from Chamber of Commerce (29%), financial institutions (public plus commercial banks and funds; 24%), EU initiatives (20%) and investment and trade agency (14%). The local and regional entrepreneurship supporting organisations as well as knowledge providers are not focused in SME internationalization, which is reflected in less support obtained by the SME.

Internal barrier of SME that is hard or very hard to overcome (Σ 53%) is shortage of working capital to finance export, which is hardest to deal with among micro enterprises but irrelevant for the medium sized SME. For 26 out of 48 respondents represent the lack of managerial time to deal with internationalization an internal barrier that hinders their internationalization activities. The SME are coping also with the shortage of human resources for export activities, highly challenging for micro companies. For 28% of respondents the qualified and trained personnel for internationalization does represent internal barrier that is hard or even very hard to overcome. Adequate production capacities do not represent the internal barrier to be hard to deal with (except for the 3 micro SME).

Among the external barriers the ability to overcome strong local competitors is most challenges (61% of respondents do see it as hard or even very hard to overcome), followed by ensuring investments for internationalization (55%), obtaining reliable foreign representation (50%), finding strategic information to locate/analyse markets (49%) and ability to contact potential overseas customers (46%). For 63% of the respondents the collaboration with the supporting bodies does not represent an external barrier that would be hard to overcome (for 13% it is even irrelevant). However, the 42% of respondents rated

the obtaining of home government support as hard or even very hard, 41% as easy and not so hard and for 17% irrelevant. Excessive transportation costs do represent the external barrier that is hard or even very hard to be dealt with for 44% and is irrelevant for 17% of respondents. Relations with local suppliers is challenging for 43% and IPR protection for 41% of respondents.

For their first internationalisation activities the most crucial was the support for partner(s) in foreign country (80%), web-sites accustomed to foreign customers (67%), scouting for funding opportunities (66%), joint communication and promotion services (65%), distribution channels search (64%) as well as organization of networking and B2B activities in the foreign country (54%) representation and virtual office services (53%), much less important were innovation services (intellectual property, R&D collaboration) and scouting for international joint events.

Mostly used financial tool for internationalisation were grants to support any stage of the internationalisation activity (61%), and grants for recruitment of advisors, researchers, accountants (52%) and funding to attend international trade events and exhibitions (46%). Tax incentives (41%), financing short-term exports (35%), insurance solutions and risk management (20%) and loans (20%), pre- and post-shipment financing (15%), credit guarantee scheme (15%) were used less. 13% of SME did not use any of the financial instruments for their internationalisation activities.

Consultancy support (61%), market research support (57%) and export/internationalisation observatory facilities (41%) are for SME most appropriate and or useful internationalisation support infrastructure and services. Only 9% - 13% of SME consider the business parks, incubators, science parks as useful in their internationalisation endeavours as mostly they do not target internationalisation activities as isolated ones but as horizontal activities among R&D&T activities.

46% of SME did not use any of the information provisions offered in supportive environment. 26% used info regarding the administrative rules and regulations and 22% analysis reports on foreign market and additional 15% partner search services. Trade missions, business forums and other promo events as well export promo activities including marketing was used by 13% of SME. 7% used market intelligence services and 4% one-stop customer service.

35% of SME did not participate in any public programmes co-funded by the ESIF, 27% in programmes for improving regional and local environment for SME, 22% in HR investment programmes (ESF), 16% in programmes for entrepreneurship development, innovations, competitiveness of SME, 8% in programmes for encouraging entrepreneurial spirit, 8% used support for the creation of new products and services and 5% participated in programmes for interregional and transregional collaboration. None of them participated in programs for development and application of new business models for SME or in capacity programmes.

Above 50% of SMEs are not aware of or have basic info or even if well informed have no participation in EU instruments supporting the internationalisation. Erasmus for young entrepreneurs (11%) and Horizon2020 Programme (9%) are two instruments with the highest involvement of SME in their constant use.

However, the participants rated the EU structural funds, National public funds with average of 3 (on the scale 1 to 5), regional public funds with 2.8 and local public funds with 2.9. Their suggestions for improving the work of the public funds provided were shortly: lean administration, transparency and higher info flow.

6. MEASURES OFFERED BY NATIONAL/REGIONAL STAKEHOLDERS IN THE SPHERE OF SME INTERNATIONALISATION SUPPORT

6.1 INTRODUCTORY REMARKS

6.1.1 Purpose

This part includes the measures offered by the national/regional stakeholders - providers of SME support. These are public administrations, agencies, chambers of trade and commerce, branch organizations, clusters, banks, funds, consultants, foreign trade offices, business centres, incubators, etc.

This is determined on the basis of the interviews with the internationalisation services providers and includes the following information:

- determination of the SME support (activities, tools and programmes) that is implemented the most: public support, individual support, support received by networks and clusters, support provided by sectoral programmes.
- determination of the main barriers that the SME face using the proposed measures and the main difficulties that the organizations providing support face in their work with SME;
- identification of how the European structural and investment funds could be used for supporting internationalisation.

6.1.2 Mapping stakeholders

Stakeholders, participating in the interviews represent governmental, regional and local administration, University, Chambers, Business support organisation, Investment and trade Agency, Internationalisation agent (SME) and Slovenian Tourism Board as depicted in the table 15 and figure 77 below. According to the Slovenian internationalisation policy not all listed stakeholders match, mostly due to the national character of the policy and absence of specific measures for the NUTS II or even NUTS III level.

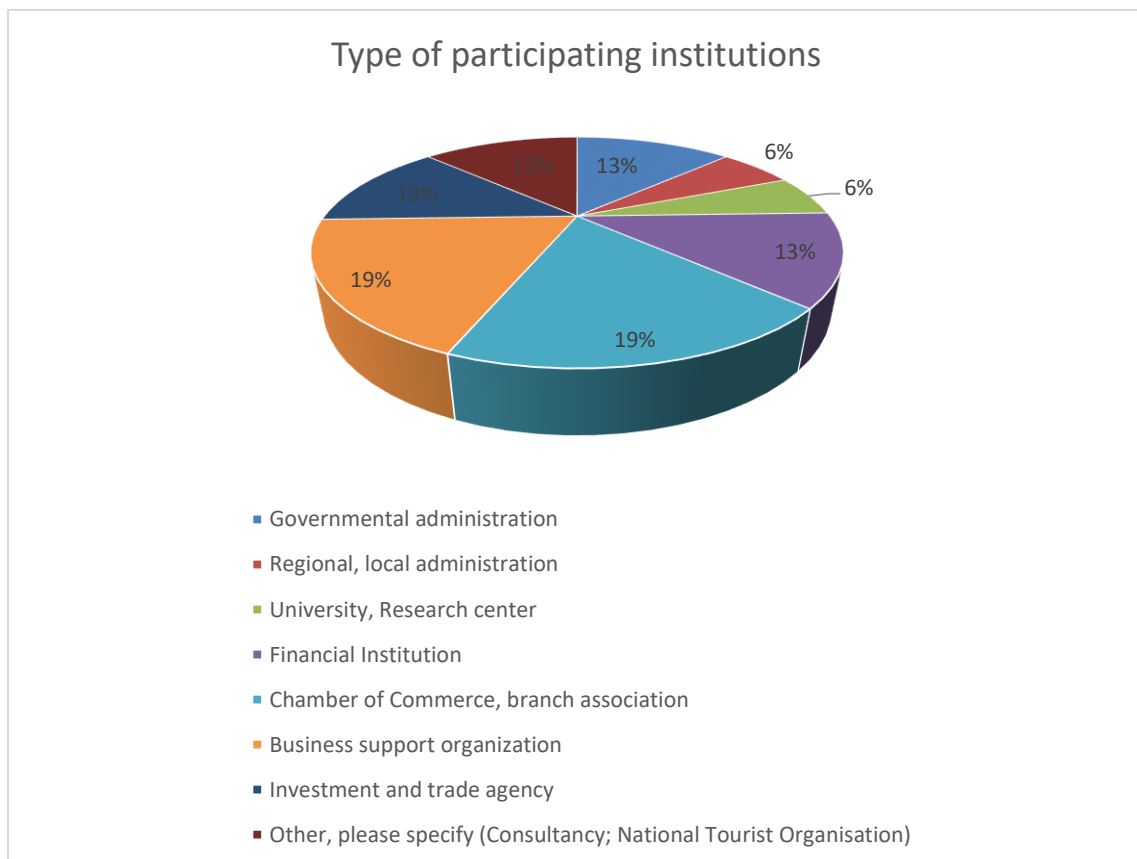
Table 15: Type of organisation / stakeholders

Type of organisation	Frequency	%
Governmental administration	2	13%
Regional, local administration	1	6%
University, Research center	1	6%
Financial Institution	2	13%

Chamber of Commerce, branch association	3	19%
Business support organization	3	19%
Investment and trade agency	2	13%
Other, please specify (Consultancy; National Tourist Organisation)	2	13%
TOTAL	16	100%

Source: own calculations

Figure 77: Type of stakeholders

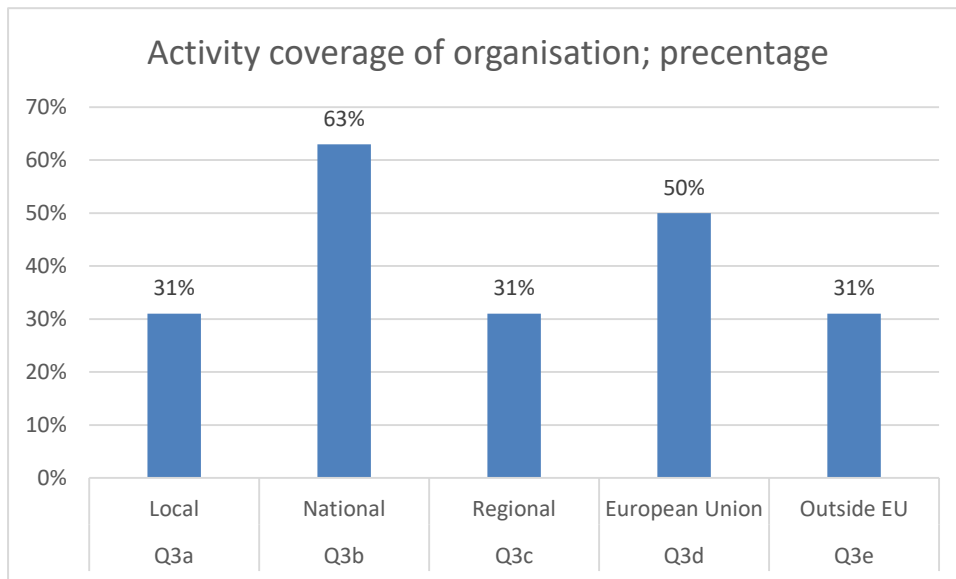


Source: own calculation

6.1.3 Provision of services and activity coverage

Most of the stakeholders provides their activities on national level (63%), 8 on European Union level (50%) and 5 outside EU (31%), namely Ministry of economic development and technology, Ministry of foreign affairs, SPIRIT Slovenia, Slovenian Tourist Organisation, and Chamber of Crafts and Industry Slovenia. None of them has a seat/headquarters in East Slovenia/Podravje. 31% are focused on local as well as regional level (local government, regionally based institutions). If we understand internationalisation policy and their stakeholders as those supporting the SME outside the internal market of the EU, then we can conclude that few intermediaries are capable of providing those services and none of them is on the regional let alone local level. However, regional institutions are involved in European initiatives such as European Enterprise Network. Even for those it was revealed that they are mostly active in provision of the services on internal market (e.g. search for partners, organisation of B2B meetings, participation at local/regional fairs). The cross-border affairs as well as connections set up in the past (e.g. former Yugoslavian countries) are those which are in the focus of local/regional stakeholders.

Figure 78: Activity coverage of stakeholders `organisations

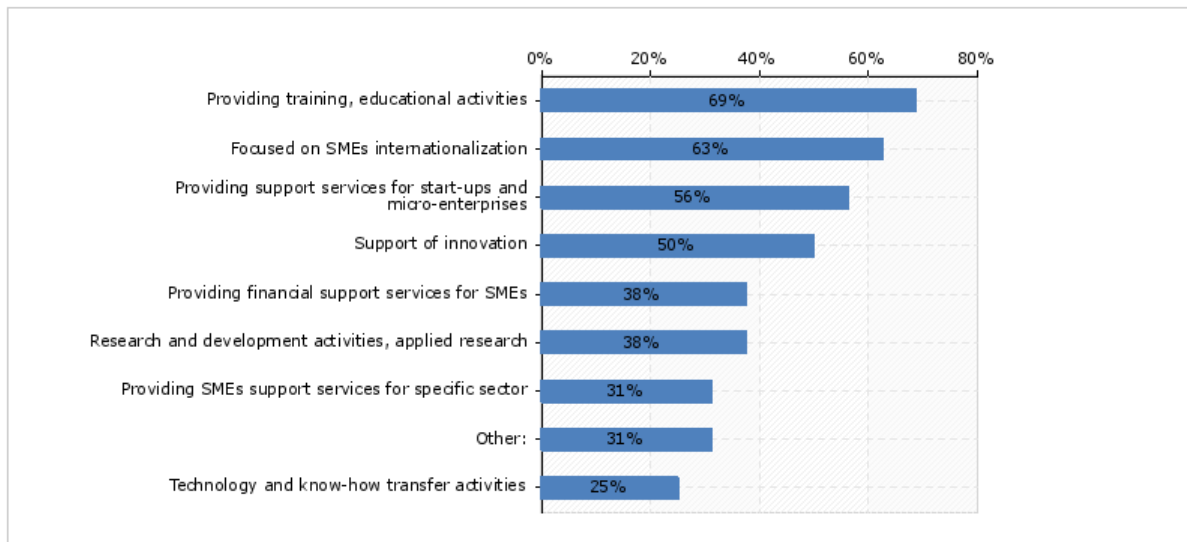


Source: own calculation

The focus of the SME services, provided by the stakeholders is on provision of training and educational activities (11 stakeholders). 10 out of 16 stated that they are focused on SME internationalisation (both ministries, municipality, SID BANK, CCI Slovenia, Chamber of Crafts, private consulting companies, MRA, STO). 9 stakeholders are engaged in provision

of services for start-ups and micro-enterprises and 8 support of innovation. Only 6 are providing financial support services for SME and 4 are supporting the transfer of technology. Only 5 stakeholders are providing support services for specific sectors – none of them on local/regional level. We assume that this is due to the national policy, especially measures linked to the smart specialisation, which cover the whole Slovenian area. The lack of diversification of sector specific measures on local/regional level was mentioned also in previous projects (e.g. INOLINK, Interreg IVC). The stakeholders also mentioned additional activities such as FDI, one-stop shop activities (registration of company, transfer of ownership, validation of crafts licences, support for working abroad), participation in international networks such as WAIPA, ETPO, VITTI, EEN.

Figure 79: Provision of services



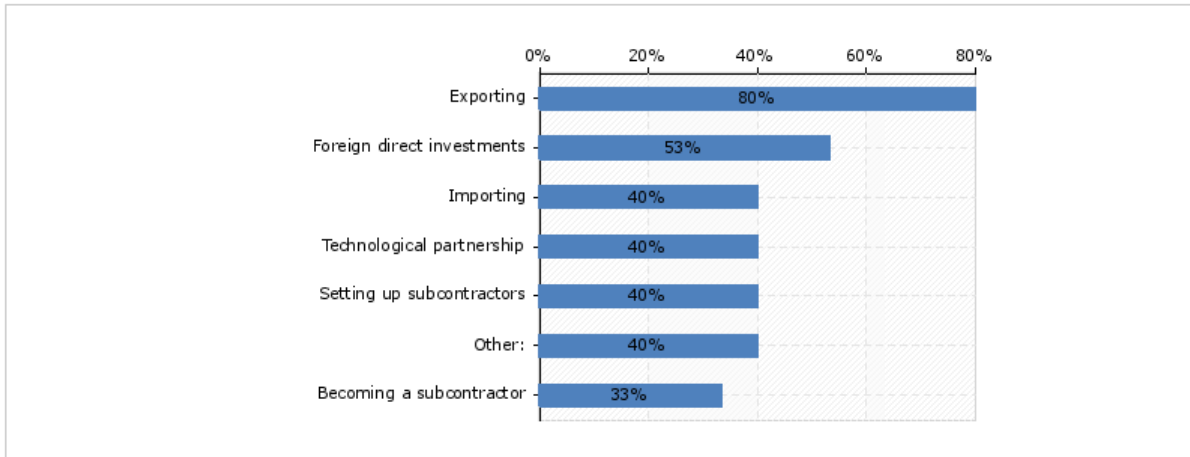
Source: own calculations

There are differences of support organisation in number of personnel engaged in the SME support services: 2 reported 75%, 1 reported 45%, 2 reported 25%, 1 reported 10% and 3 reported 2%. None of the stakeholders are focused solely on the SME even if they are business support organisations. From the observed practices, the impression arises that the medium or even big companies are those which traditionally get more attention as well as support.

6.1.4 Internationalisation model

75% of stakeholders support the exporting, 50% FDI, 38% Importing and Technological partnership and Setting up subcontractors and 31% Becoming a subcontractor.

Figure 80: Supported internationalisation model



Source: own calculations

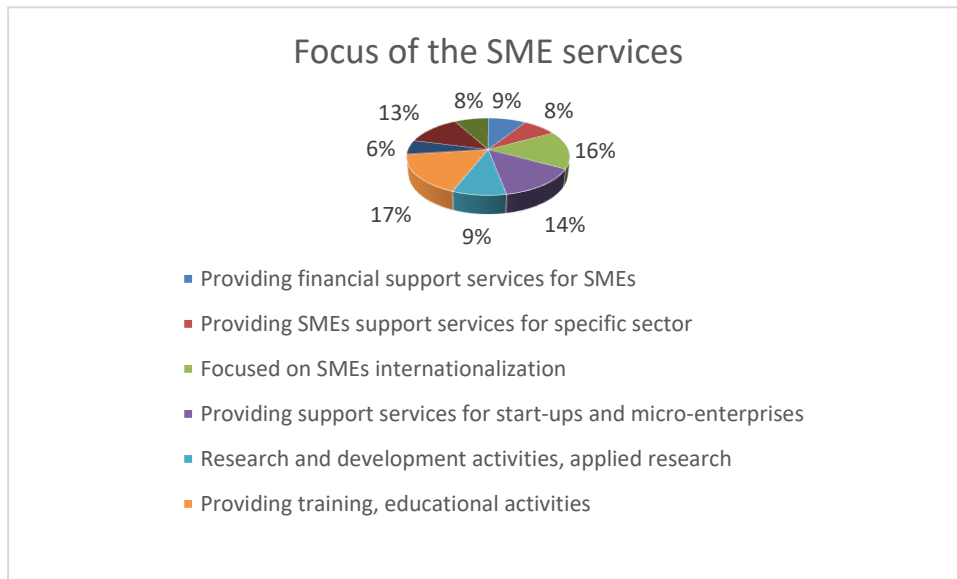
6.1.5 Provision of financial and non-financial services

The provision of financial and non-financial services for SME is depicted in the table 16 and figure 81 below.

Table 16: Provision of services

Sub-questions		
	Frequencies	%
Providing financial support services for SME	6	9%
Providing SME support services for specific sector	5	8%
Focused on SME internationalization	10	16%
Providing support services for start-ups and micro-enterprises	9	14%
Research and development activities, applied research	6	9%
Providing training, educational activities	11	17%
Technology and know-how transfer activities	4	6%
Support of innovation	8	13%
Other	5	8%
Total	64	100%

Figure 81: Focus of SME services

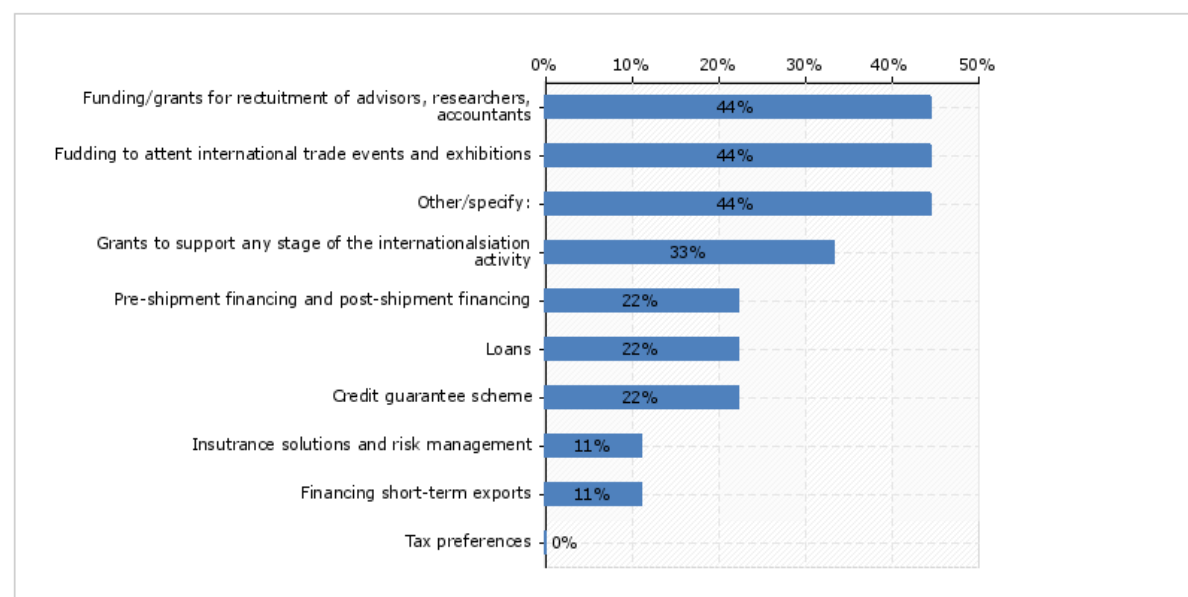


Source: own calculation

6.1.6 Financial support

Stakeholders described their financial services in terms of funding to attend international trade (25%), funding/grants for recruitment of advisors (25%), grants to support any stage of the internationalisation (19%), credit, guarantee scheme, loans, pre-shipment financing and post-shipment in equal share of 13%, whereas 6% are financing short-term exports as well as insurance solutions and risk management.

Figure 82: Financial support services for internationalisation



Source: own calculation

Public financial support is provided by SID Bank, SPS, SPIRIT, Municipality Maribor and Maribor Development Agency. SID BANK and SPS are providing Insurance solutions and risk management, financing short-term exports and pre-shipment financing and post-shipment financing as well as loans. SPIRIT and MOM are funding participation at international trade events and exhibitions. Grants to support any stage of internationalisation activities are provided by SPIRIT. MRA provides credit guarantee scheme, which is focused on small infrastructure investments and not on the internationalisation activities.

Table 17: Financial support - activities

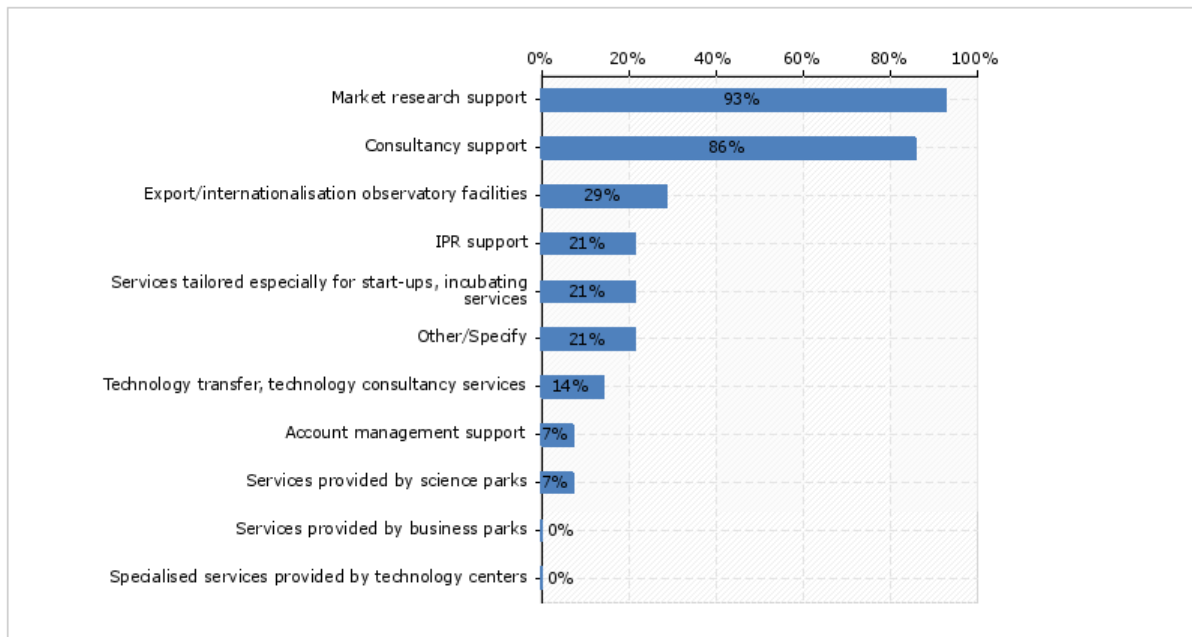
Financial support - activities	Organisations providing support	
Funding to attend international trade events and exhibitions	SPIRIT	MOM
Funding/grants for recruitment of advisors, researchers, accountants,	SPIRIT	-
Grants to support any stage of internationalisation activities	SPIRIT	-
Insurance solutions and risk management,	SID BANK	SPS
Financing short-term exports,	SID BANK	SPS
Pre-shipment financing and post-shipment financing,	SID BANK	SPS
Loans	SID BANK	SPS
Credit guarantee scheme	MRA	-

6.1.7 SME support infrastructure and other non-financial services

81% of stakeholders are providing market research support and 75% consultancy support. The share of the intermediaries providing consultancy support signals that there is clear distortion of the competition between the services they do provide and the private sector consultants organisation. In some cases, the organisation that is publishing calls on behalf of the government (e.g. for market research) is simultaneously providing consultations to

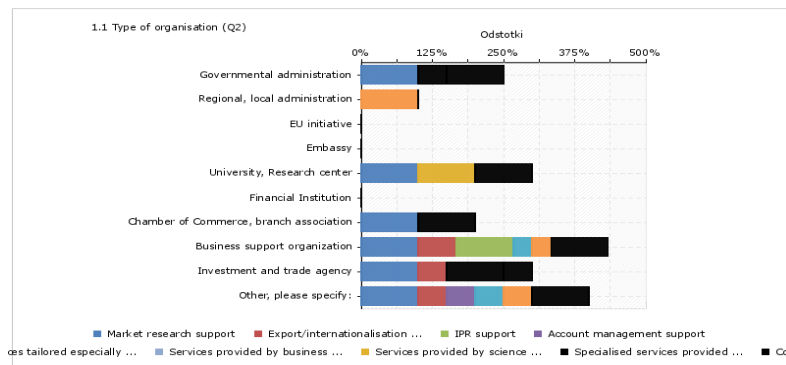
SME on how to prepare the export plan, which sheds doubts in transparency of the funding scheme. Export/internationalisation observatory is provided by 25%. Under other services they mentioned facilities abroad and networking with international institutions. As seen from the distribution of services, the market research support is provided by 81% of all interviewed stakeholders as well as the consultancy support is provided in 75%.

Figure 83: SME support infrastructure and other non-financial services



From the distribution of the support between the national and local/regional level it is seen that on the local level the start—ups, technology transfer, IPR are well embedded as well. The diversification of services as well as the regional/local priority setting is in Maribor a process started few years ago but is still not concluded yet (various initiatives, e.g. within INOLINK, regional project IOT, programme for Maribor’s competitiveness). The specialisation of regional/local institutions should lead not only to higher transparency between the provided services but also to higher quality of them. According to the Act on balanced regional development the major role should play the Regional Development Council, set-up by quadruple helix (if described in summarised terms). More pro-active role of the Regional development agency is disrupted from time to time by the changes in the local political environment (elections) as well as not unified interests by local municipalities or more precisely their limited role in SME support services.

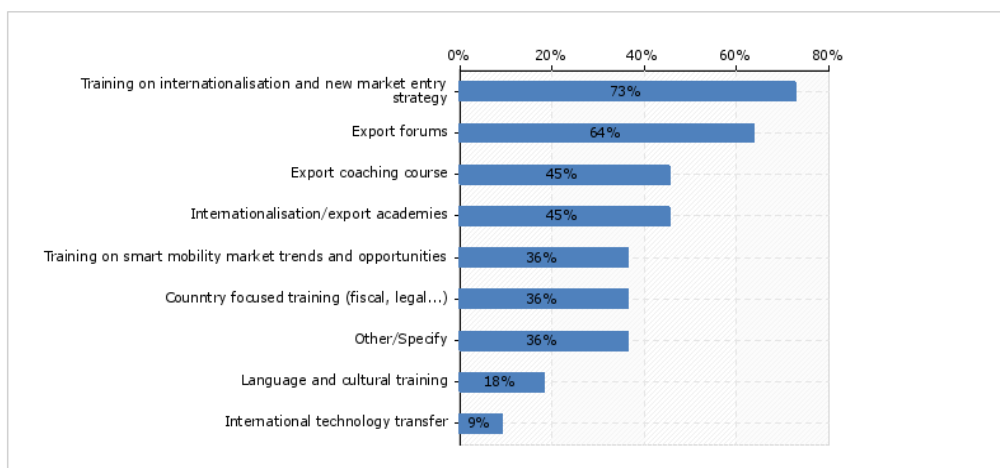
Figure 84: Service provision per stakeholder



6.1.8 Services for developing human resources/managerial capacity

Although 50% of stakeholders are involved in provision of training on internationalisation and new markets, targeted trainings are mostly oriented towards the cross-border countries. Training for global markets are conducted by SPIRIT Slovenia for rather limited number of participants (15 SME on yearly basis). In 2017 a new internationalisation training was introduced by Chamber of Commerce (results not known at the moment of completion of this document). The high percentage of export forums shows the involvement of stakeholders in organisation of monthly cross-border meetings for SME, organisational of days for particular continents (e.g. Africa days), or state (e.g. Russian federation forum). Country focused training (fiscal, legal...) is provided mostly by Chambers, whereas language and cultural training only by 13% of stakeholders.

Figure 85: HR/managerial services

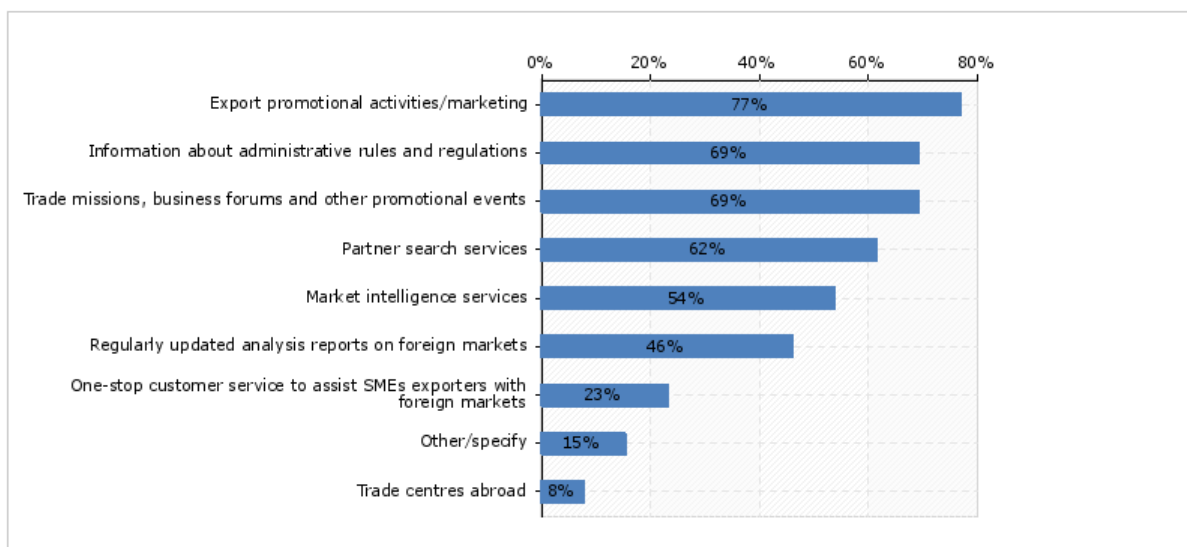


Source: own calculation

6.1.9 Information provision services

10 out of 12 stakeholders that answered the question on information provision services are providing export promotional activities and marketing, 9 are involved in trade missions, business forums and provision of info concerning the administrative rules and procedures in foreign countries. 8 stakeholders are providing partner search services, whereas on European level it is done by the EEN (the Slovenian EEN includes: Institute Jožef Stefan, CCI, Chamber of Crafts, University Maribor, University of Primorje, MRA).

Figure 86: Information provision services



Source: own calculation

The stakeholders were asked to select three most important services for SME` internationalisation, arranged by the level of using of the services. Under the Financial support services, the pre- and post-shipment financing, financing short-term exports and loans were selected as mostly used by the SME. In the framework of the SME support infrastructure and other non-financial services, the consultancy and market research support as well as services tailored to the start-ups should be mostly used by SME. From Services for developing human resources/managerial capacity the export forums, training on internationalisation and new market entry strategy as well as country focused training and export academies are widely used by SME. From Information provision services the export promotional activities/marketing, trade missions and business forums and other promotional events, Information about administrative rules and regulations are mostly required by SME. The results are depicted in the table 18 below.

Table 18: Mostly used services

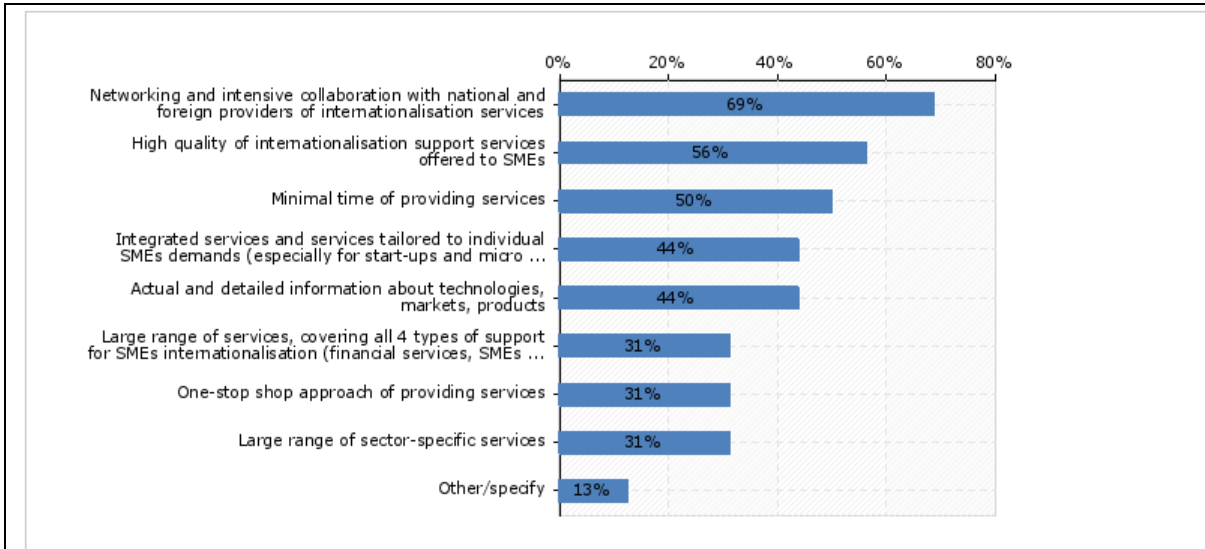
Internationalization support services provided by organizations considered to be the most used ones by the SME <i>/arranged by the level of using of the services/</i>		
1 st	Financial support services for internationalization	Pre-shipment financing and post-shipment financing
		Financing short-term exports
		Loans
2 nd	SME support infrastructure and other non-financial services	Consultancy support
		Market research support
		Services tailored for start-ups, incubating services
3 rd	Services for developing human resources/managerial capacity	Export forums
		Training on internationalization and new market entry strategy
		Country focused training and Export academies
4 th	Information provision services	Export promotional activities/marketing
		Trade missions, business forums and other promotional events
		Information about administrative rules and regulations

Source: own calculation

6.2 PERCEIVED BENEFITS

Stakeholders see the advantages for their institutions in providing services to SME in increased networking and intensified collaboration with national and foreign providers of internationalisation services (69%), in high quality of internationalisation support services offered to SME (56%), in minimal time of providing services (50%), in integrated services and services tailored to individual SME demands (especially for start-ups and micro companies) (44%) as well as in actual and detailed information about technologies, markets, products (31%).

Figure 87: Self-reflection

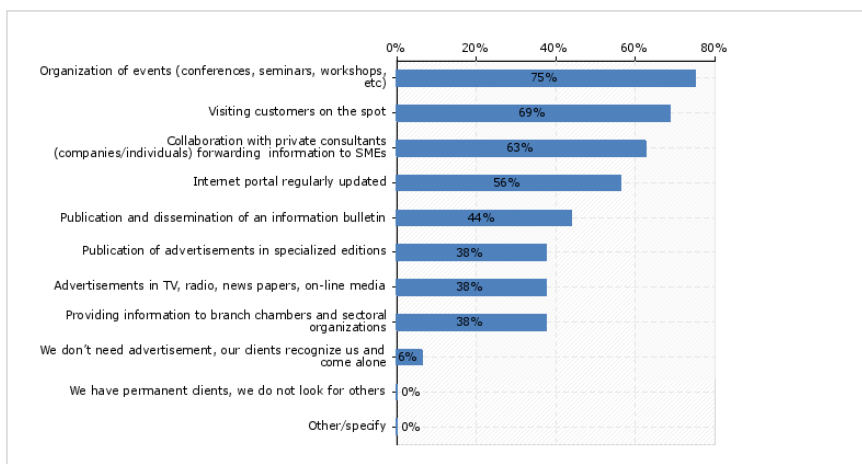


Source: own calculation

6.3 USED INFORMATION AND COMMUNICATION CHANNELS

75% of the stakeholders provide the information to the customers/SME looking for internationalisation support services by organising the events (conferences, seminars, workshops); 69% implement the on-the spot meetings with SME and 63% is including the private consultants to gain access to the SME. 56% of stakeholders is regularly updating their internet portals and 44% is using publication and dissemination of information bulletin, 38% is advertising in specialised editions as well as on TV, radio, news-papers and on-line media and providing info to branch chambers and sectoral organisations. Only one stakeholder thinks that they do not need advertisement that the clients do recognize them and come alone.

Figure 88: Info channels used by stakeholders



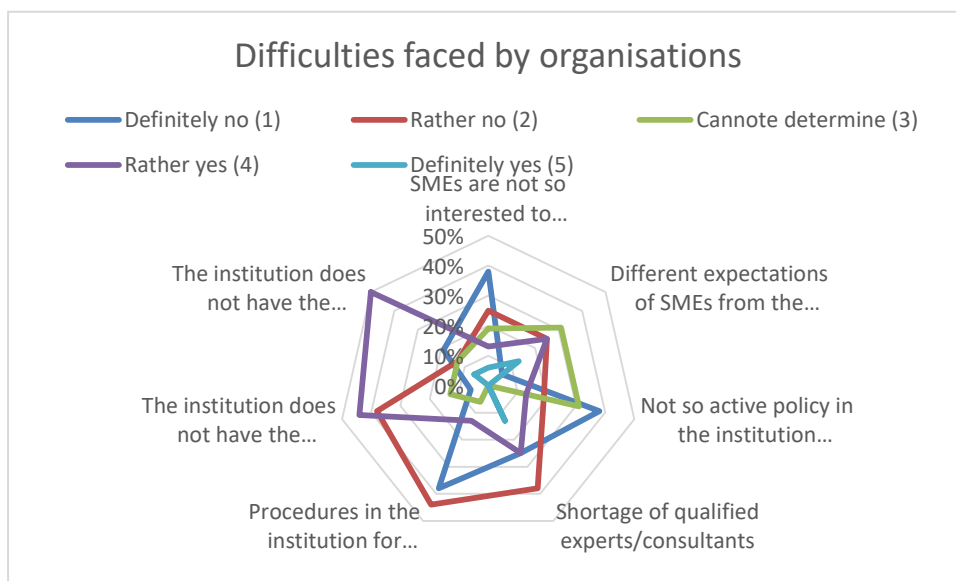
Source: own calculation

6.4 COOPERATION READINESS

6.4.1 Collaboration

Only from the governmental side it seems as if the SME are not interested to collaborate, whereas the local institutions are not keen to determine it. However, those, dealing with the SME on a regular basis (daily) do not agree with the statement that SME are not so interested to collaborate.

Figure 89: Difficulties faced by stakeholders

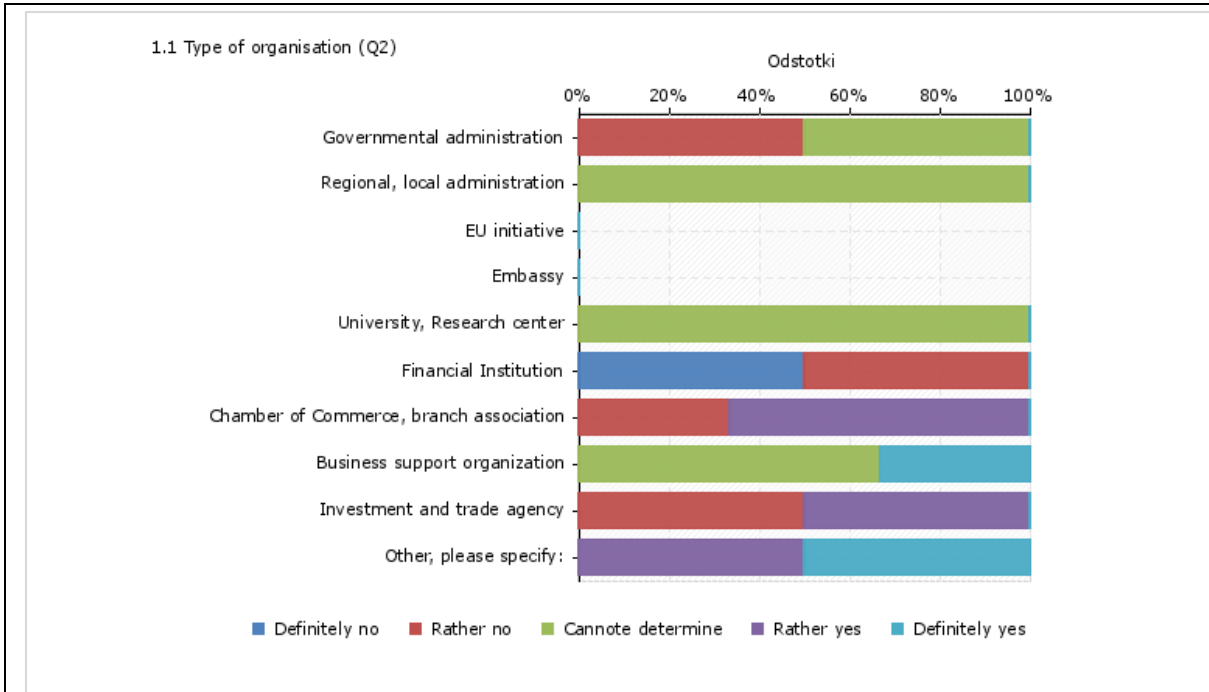


Source own calculation

6.4.2 Perceived expectations of SME

The expectations of SME do not always match the services offered by the institutions as was noted by financial institutions, chamber of commerce as well as business support organisations. As explained by one of them, the expectations of SME are not always realistic and are even too demanding, requesting the whole range of services, including the involvement in the negotiation procedures between them and their potential business partners. Based on the findings, the suggestion elaborated within the INTRA's Regional Stakeholder group (more info at www.interregeurope.eu/intra) was that the transparency of services provided as well as costs related to them should be publicly displayed even if those are available only for the members.

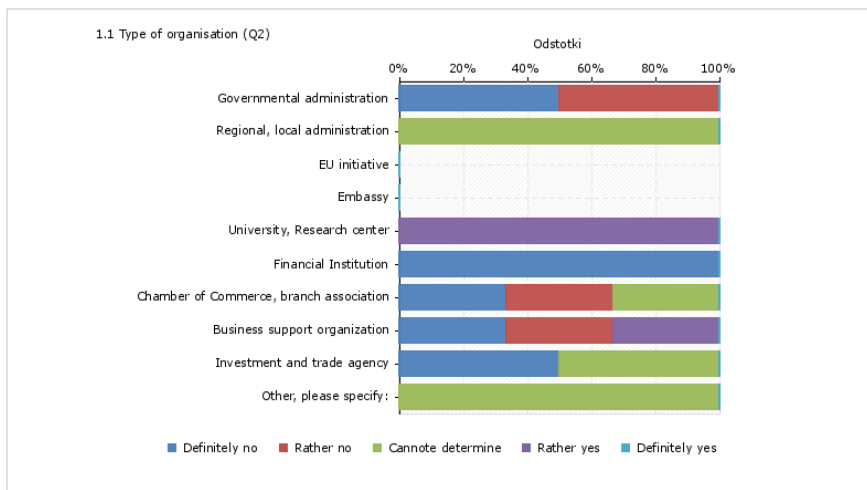
Figure 90: Different expectations of SME from the services providers regarding the available services



Source: own calculation

The inactive policy in the institution regarding SME support services was detected only by university institutions and business support organisation. However, none rated it as « definitely yes » as depicted in the figure 91.

Figure 91: Difficulties encountered by stakeholders

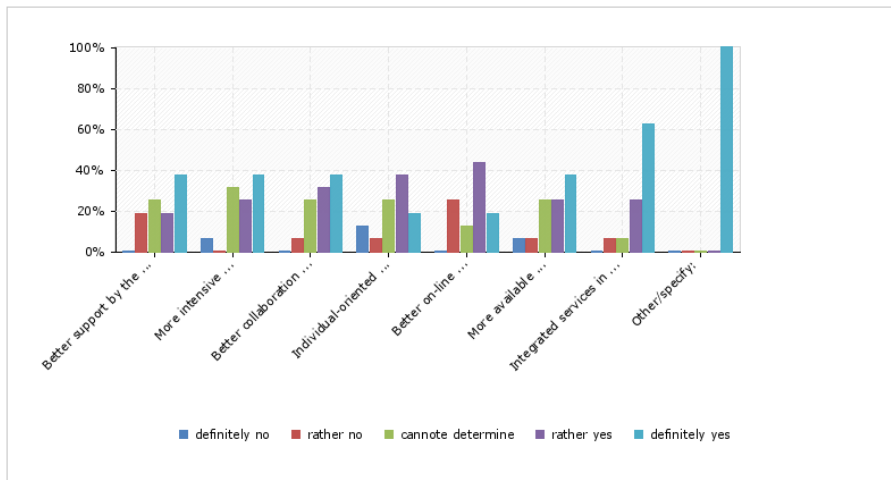


Source: own calculation

To be more effective the stakeholders suggested introduction of integrated services in support of internationalisation by the one-stop shop approach as well as better collaboration

between institutions, better on-line distribution of info for international joint events and funding opportunities as well as individual approach to each company as shown in figure 92 below.

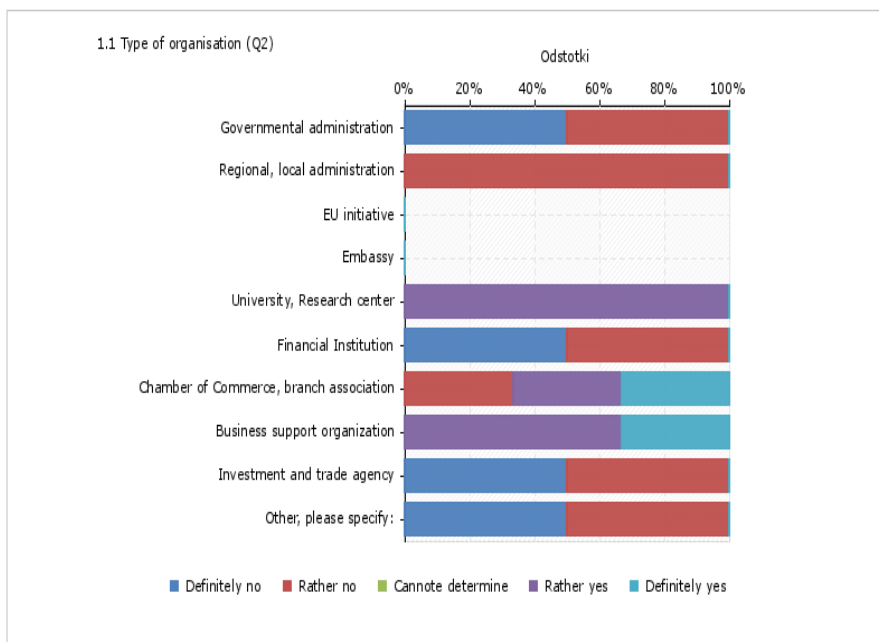
Figure 92: Needs for improvement



Source: own calculation

The shortage of qualified personnel was detected by business support organisations as well as by chambers as demonstrated in the figure 93.

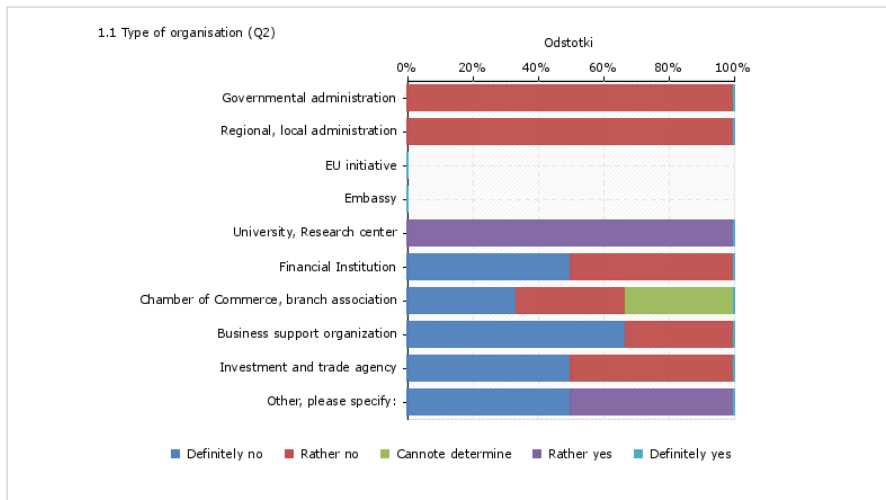
Figure 93: Shortage of qualified personnel



Source: own calculation

None of the stakeholders sees the problems in too complicated procedures in providing services although the university representative sees the long and complicated procedures as a hindering point in providing the services as observed in figure 94.

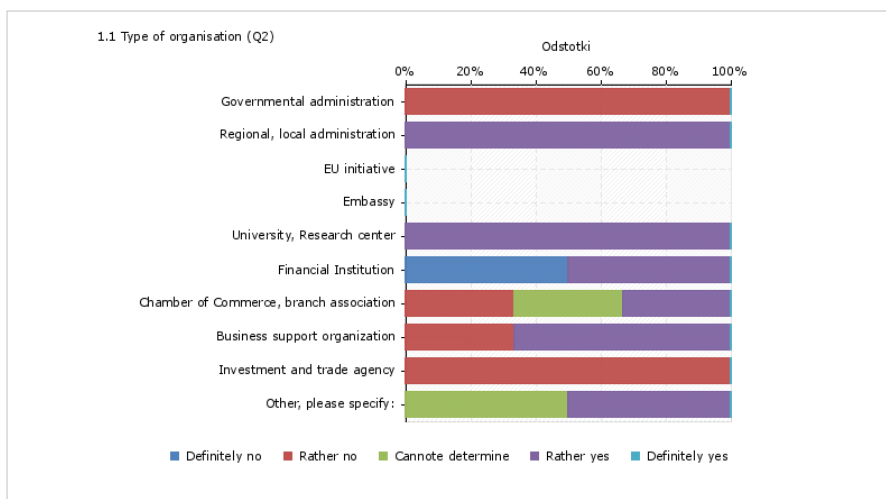
Figure 94: Complicated procedures in own organisations



Source: own calculation

Especially local, smaller institutions as well as regional ones have no capacity in dealing with larger number of SME as demonstrated in the figure 95 below.

Figure 95: Capacity to deal with larger number of SME

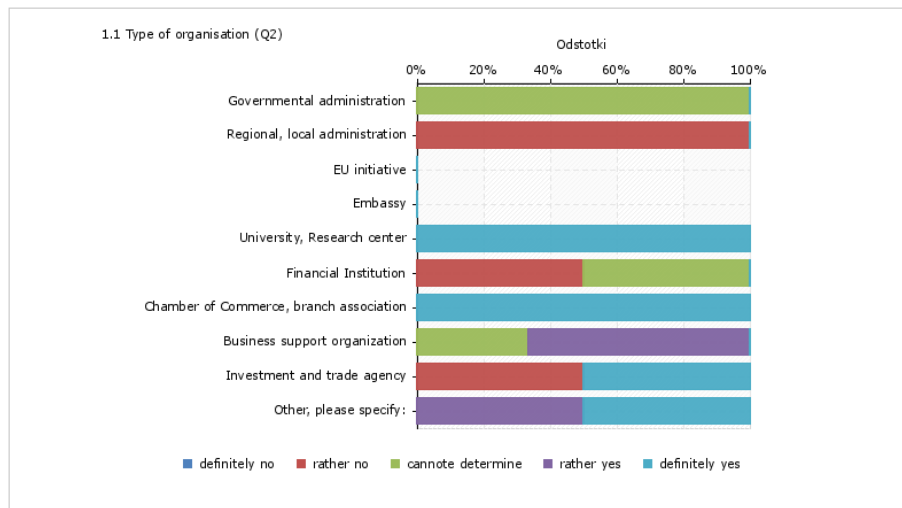


Source: Own calculation

6.5 NEED FOR BETTER SUPPORT

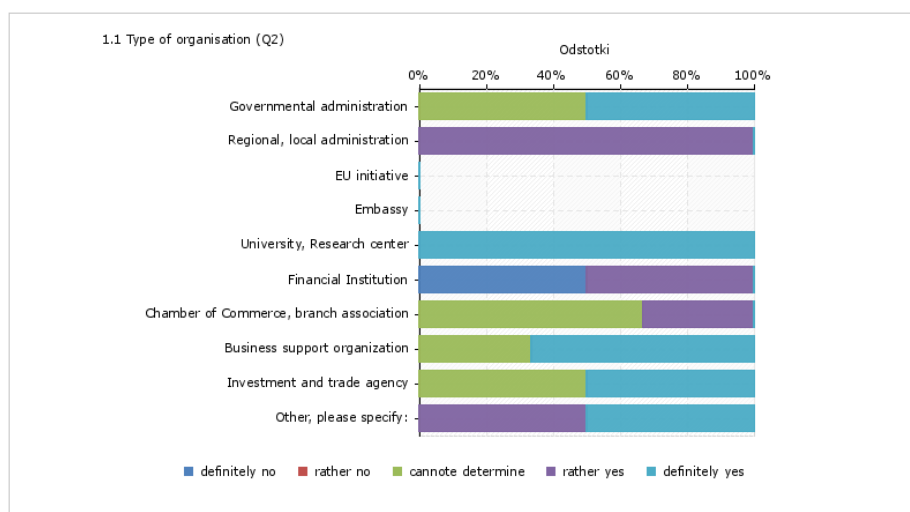
Better support by the public governments in provision of internationalisation services for SME to be more effective is seen by chambers, and business support organisations as seen in the figure 96.

Figure 96: Needed better support by public governments



Most of the stakeholders see more intensive involvement of private SME support service providers as key to provide the SME internationalisation support services more effectively as depicted in figure 97.

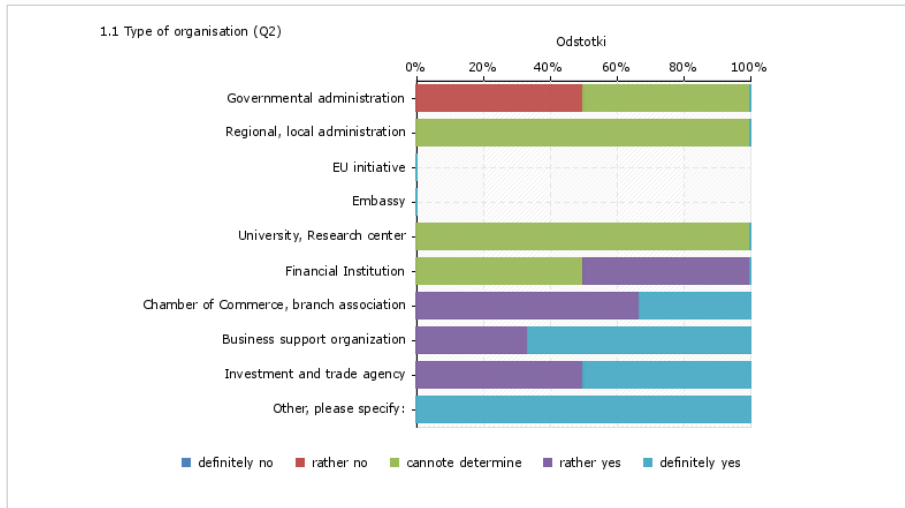
Figure 97: Involvement of private agents



Source: own calculation

Most of the institutions that are semi-public or private see the need for better collaboration between the public and private institutions when providing SME support services for internationalisation.

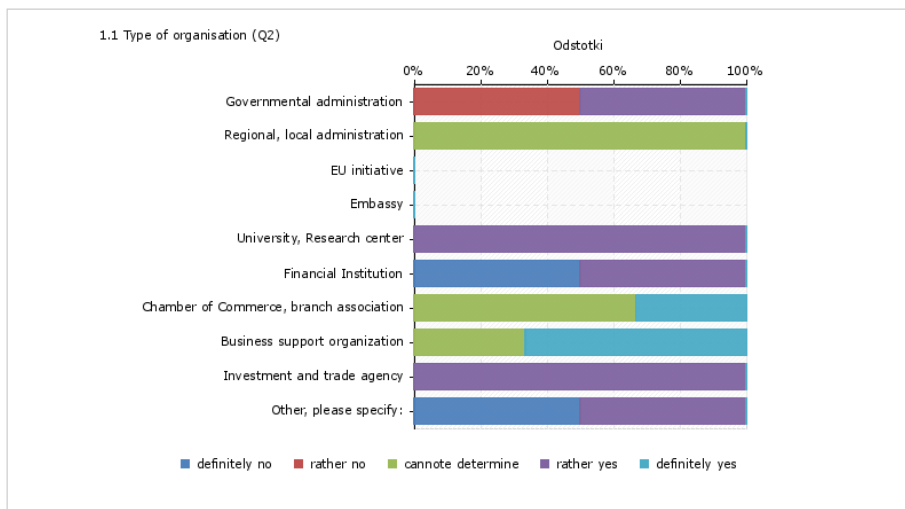
Figure 98: Need for better collaboration between institutions



Source: own calculation

Prevailing majority of the stakeholders do agree that the individually-oriented approach to each company is a prerequisite for their effectiveness as seen in the figure 99.

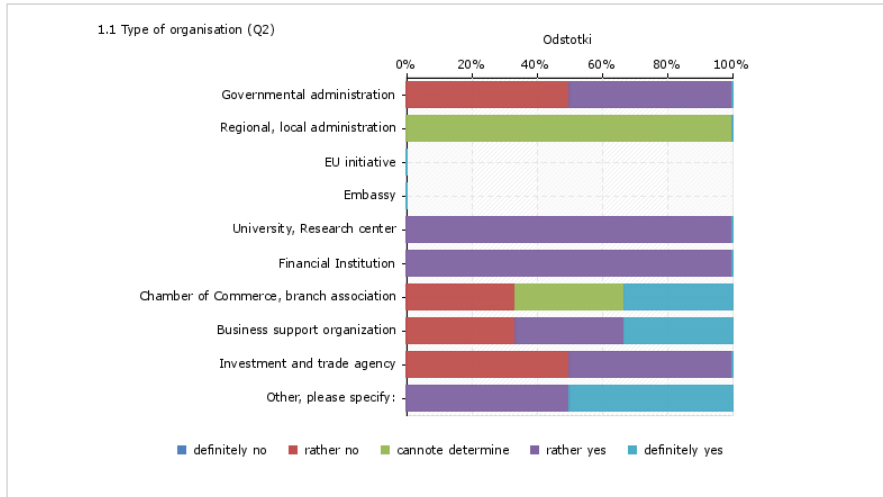
Figure 99: Need for specific approaches



Source: own calculation

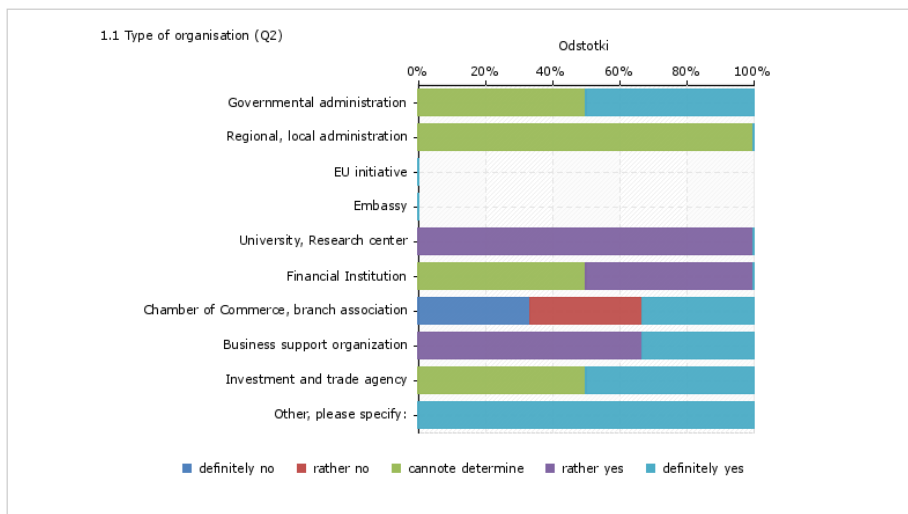
There are also more pro and contra answers of whether there should be better on-line distribution of information for international joint events, funding opportunities, partnership opportunities etc. as seen in the figure 100 below.

Figure 100: Improved communication channels



In general, the stakeholders do agree that there is a need for more available representation and virtual office services in order to be more effective in their support.

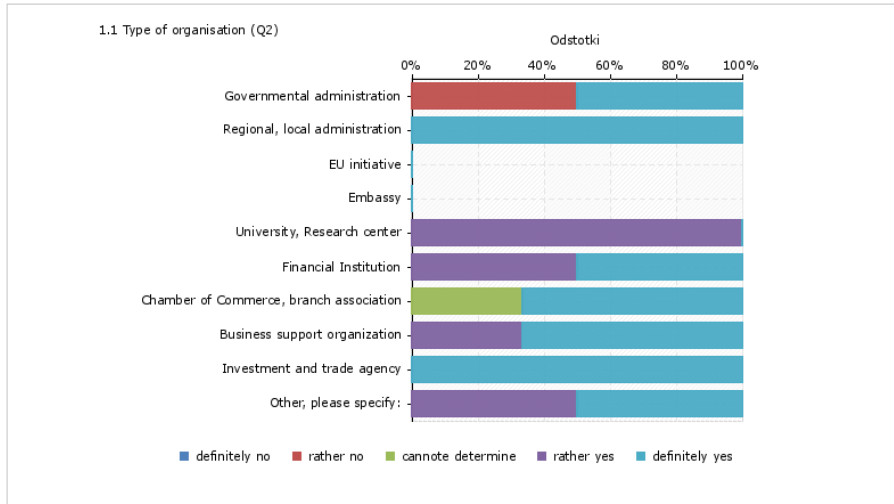
Figure 101: Virtual offices



Source: own calculation

The majority of the stakeholders do agree that the integrated services in support of internationalisation by the one-stop shop approach is a pre-condition for more effective provision of services as observed in figure 102.

Figure 102: Integrated services

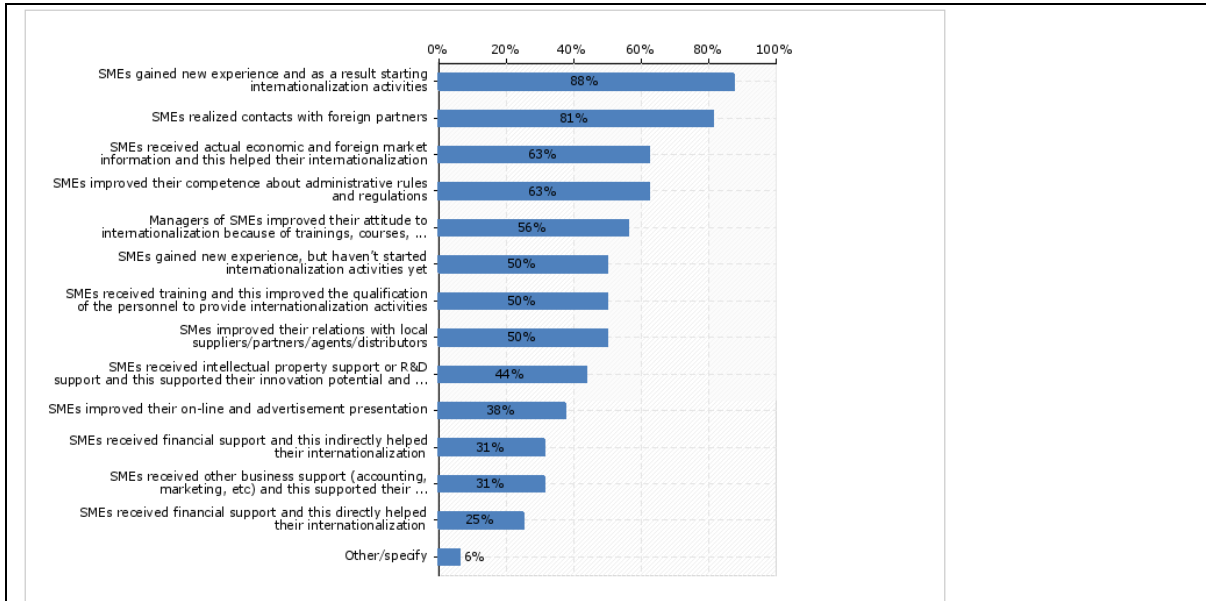


Source: own calculation

6.6 SELF-REFLECTION OF INTERVIEWEES AND SUGGESTIONS FOR IMPROVEMENT

88% of the stakeholders agree that the SME gained new experiences and as a result starting internationalisation activity based on the services they provided, which includes also the realised contacts with foreign partners (81%), actual economic and foreign market info (63%) and the competences about administrative rules and regulations (63%). 56% of the stakeholders do agree that the managers of SME improved their attitude to internationalisation due to the trainings, courses etc. Half of them do agree that the SME gained new experiences but have not started internationalisation activities yes, that they received training and this improved the qualification of the personnel and that they improved their relations with local suppliers/partners/agents/distributors. In line with the nature of stakeholders only 25% agree that the SME received financial support that directly helped their internationalisation.

Figure 103: Self-reflection of respondents



Source: own calculation

Stakeholders suggested for improvement of collaboration between SME and SME support service providers for internationalisation:

- ✓ the collaboration should be focused and targeted;
- ✓ tools for measurements of impacts (efficiency, effectiveness) to be agreed beforehand;
- ✓ more realistic tools/indicators for evaluation of impacts of internationalisation measures should be in place;
- ✓ monitoring and measurement of results should be ongoing activity;
- ✓ SME should be empowered to clearly express their wishes and targets;
- ✓ the cooperation between the institutions and SME should be based on clearly defined tasks and expectations and commitment for cooperation;
- ✓ more live contacts (either personal or over the phone) as the SME demand is for direct and custom-made solutions, which cannot be done by online tools (example - on the spot support on fines while conducting business abroad);
- ✓ the outdated programmes should be eliminated/replaced;
- ✓ the programmes/measures that are effective and for which there is a higher demand as the actual offer, should be expanded;
- ✓ internationalisation tools should be developed (applicative, on-line tools);
- ✓ SME should be actively involved in the preparation/shaping of the instruments
- ✓ joint platform for internationalisation should be developed in which all institutions would participate, communicate and collaborate;
- ✓ content and sector specific offers should be developed;
- ✓ broader and more efficient network should be set-up abroad;
- ✓ one-stop-shop should be put in place (info for SME orientation plus foremost services);
- ✓ mapping of institutions and their roles in internationalisation;
- ✓ accessible info about the measures and possibilities;
- ✓ consultancy support to SME shall be provided;
- ✓ more individual consulting and visits in companies and preparation of tailored made solutions should be in place;
- ✓ financial incentives – subvention/targeted calls;
- ✓ higher incentives per beneficiary for export activities;
- ✓ higher participation in existing EU/EC measures on third markets;

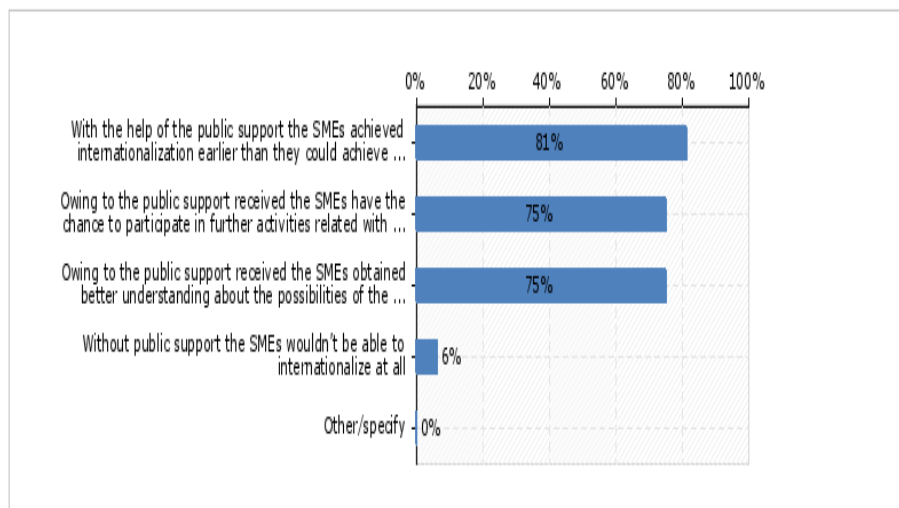
- ✓ better educated civil servants;
- ✓ enhanced cooperation of stakeholders;
- ✓ cooperation of financial and non-financial service providers by preparations and implementations of measures;
- ✓ one-stop-shop should be shaped also on regional level, linked to national support system for SME as well as regional and local ones.

In short: the cooperation between different stakeholder should be enhanced to prepare the whole range of services (known as one-stop-shop) that would cover all phases of internationalisation of SME. Instead of just info provision, the whole range of services in support of SME should be included in the one-stop-shop.

6.7 IMPORTANCE OF PUBLIC SUPPORT AND PARTICIPATION IN EU INITIATIVES

Stakeholders do agree that the public support to SME contributes to the time-scale of internationalisation, increases the chances to participate in further activities related to internationalisation as well as obtaining better understanding about the possibilities of the SMEs. Only one stakeholder argues that the SME would not be able to internationalise without the public support as observed in figure 104 below.

Figure 104: Importance of public support for SME

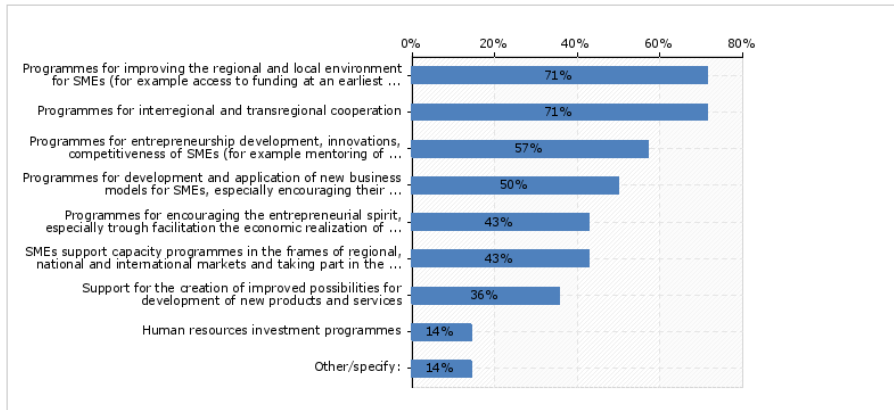


Source: own calculation

71% of stakeholders do participate in programmes for improving the regional and local environment for SME as well as in interregional and transregional cooperation. For many local/regional actors the cross-border funds were for many years the only accessible public funds that foster the cooperation between intermediaries as well as the SME on the frontier.

Only 57% do participate in the programmes for development and application of new business models for SME, 43% in programmes for encouraging the entrepreneurial spirit or capacity programmes for participation at international markets, 36% in support for the creation of improved possibilities for development of new products and services and 14% in human resources investment programmes as shown in the figure 105 below.

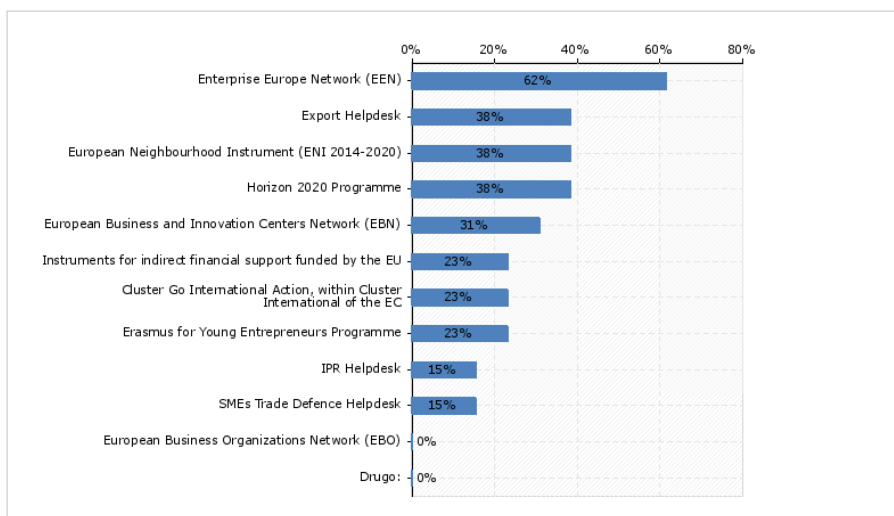
Figure 105: Participation in programmes by stakeholders



Source: own calculation

Majority of the stakeholders do collaborate or support the participation of the SME in the EU instruments that contribute to the internationalisation of European enterprises. 62% of stakeholders collaborate with EEN, much less with other European instruments (e.g. only 23% are involved/are supporting Cluster Go International Actions or Erasmus for Young Entrepreneurs) as seen in the figure 106 below.

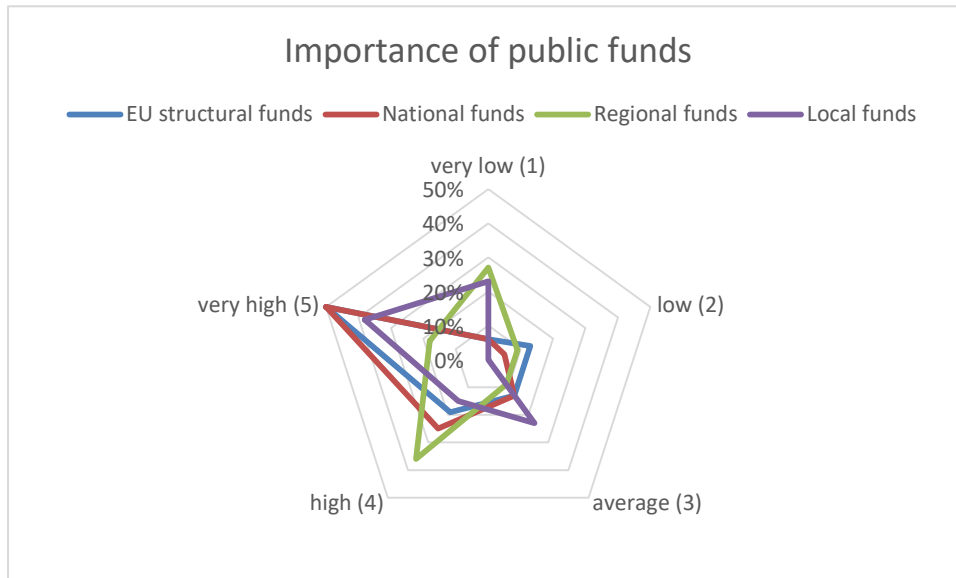
Figure 106: Collaboration in EU instruments



Source: own calculations

The stakeholders rated as very important ESIF, national as well as local funds. As the regional funds are actually national/local ones allocated to the regional level, their importance is of less intensity as seen in the figure 107 and table 18 below.

Figure 107: Perceived importance of public funds



Source: own calculations

Table 19: Perceived importance of public funds

5.4 How do you consider the importance for SME internationalisation by the public funds support provided?					
	very low (1)	low (2)	average (3)	high (4)	very high (5)
EU structural funds	6%	13%	13%	19%	50%
National funds	6%	5%	13%	25%	50%
Regional funds	27%	9%	9%	36%	18%
Local funds	23%	0%	23%	15%	38%
Other					100%

Source: own calculations

For the improvement of policy instruments, concerning the support of SME internationalisation the stakeholders suggested:

- ✓ coordinated cooperation of all involved institutions, with clear distinction of roles and responsibilities;
- ✓ transformation of SPIRIT Slovenia into export agency without duplication of activities;
- ✓ inclusion of companies in preparation and design of measures (bottom-up);

- ✓ targeted and harmonised support measures in close cooperation with end-users (SME);
- ✓ realistic, based on the needs of SME planned policy instruments;
- ✓ one-stop-shop as a key project;
- ✓ changes of EU Policy in regulation of public financing of export;
- ✓ more comprehensive measures (financial and non-financial support);
- ✓ set up of short, medium and long-term objectives upon the vision and activities (inputs and outputs measurement);
- ✓ centralisation of sources;
- ✓ financial support to SME in all stages of internationalisation;
- ✓ setting up regional specific funds for cross-border entrepreneurial support;
- ✓ preparation of calls from trained staff to attain the results and the impact;
- ✓ overview of the institutional support environment and consolidation of the services provided in line with the one-stop-shop model;
- ✓ support to the EU clusters on 3rd markets (to retain headquarters in EU);
- ✓ newly defined framework of cooperation between local/regional as well as national institutions;
- ✓ allocation of funds for the jointly prepared programmes of regional and national actors;
- ✓ specialisation of regional and national institutions;
- ✓ higher importance of internationalisation in the framework of SME policy on the national level (also due to the Slovenian export dependency);
- ✓ monitoring and assessment of results (impacts of the measures/policy) and clear sanctions if the results are not obtained.

6.8 RESULTS AT GLANCE

69% of regional as well as national service providers for internationalisation provide training and educational activities and 63% of them are focused on SME internationalisation. 80% of them support with their services exporting, 53% FDI and 40% importing, technological partnership, setting up subcontractors.

Among the financial support services for internationalisation, the grants for recruitment of advisors, researchers, accountants as well as funding to attend international trade events and exhibitions; represent 44% and are prevailing. 33% are providing grants for any stage of internationalisation activities, 22% provides pre-shipment financing and post-shipment financing, loans and credit guarantee scheme. 11% is financing short-term exports, insurance solutions, and risk management.

Market research support (93%) and consultancy support (86%) are prevailing among the non-financial services offered. 29% of stakeholders do provide export/internationalisation observatory facilities and 21% services for start-ups as well as IPR support.

Among the services for developing human resources and managerial capacity the training on internationalisation and new market entry strategy is provided by 73% of stakeholders and export forums by 64%. Export coaching course, export academies are provided by 45% of them, training on smart mobility market trends and opportunities and country-focused training is provided by 36%. Language and cultural training by 18% and international technology transfer by 9%.

77% of stakeholders are providing export promotional activities/marketing and 69% information about administrative rules and regulations, trade missions, business forums and other promo events. 62% are providing partner search services, 54% market intelligence services and 46% regularly updated analysis reports on foreign markets and 23% one-stop customer services. Only one stakeholder is providing trade centre's abroad. According to the stakeholders the mostly used services by SME are within financial ones (pre-shipment and post-shipment financing; financing short-term exports and loans), within SME support infrastructure, and non-financial services (consultancy support, market research support and start-ups services), services for developing human resources/managerial capacity (export forums, training on internationalisation and new market entry strategy and country focused training and export academies) and under the info provision services (export promotional activities/marketing; trade missions, business forums and info about administrative rules and regulations).

Over 50% of stakeholders see the networking and intensive collaboration with national and foreign providers of internationalisation services, high quality of internationalisation support services offered to SME as well as minimal time of providing services as the main advantages of their institutions in providing support services for SEM's internationalisation. $\frac{3}{4}$ of the stakeholders organise the events (conferences, seminars, workshops) and 69% visit them on the spot. In order to be efficient, they closely collaborate with private consultants (63%) as well as regularly update internet portal (56%). They are less active in publication and dissemination of info as well as in advertising.

Most of the stakeholders claim that they do not have the capacity to cover a large range of services and that they do not have the capacity to deal with big number of SME although their services are not too complicated nor do they have lack qualified experts/consultants. They do estimate that the SMEs are interested in collaboration. To be more effective the stakeholders suggested introduction of integrated services in support of internationalisation by the one-stop-shop approach as well as better collaboration between institutions, better on-line distribution of info for international joint events and funding opportunities as well as individual approach to each company.

According to the stakeholders the SME gained new experience and as a result started internationalisation activity (88%) also they realised contacts with foreign partners (81%) and received actual economic and foreign market info as well as improved the competences about administrative rules and regulations (63%).

According to the participants in interview, the public support helped SME in their internationalisation in terms of time, variety of activities as well as gaining additional insights into the markets. However, only 6% of them rated that without public support the SME would not be able to go international. From public funds, the most important ones are EU cohesion funds as well as national funds, whereas the regional and local funds represent a much lesser role in internationalisation of SME.

Stakeholders suggested the improvement of collaboration between SME and SME support service providers for internationalisation in summary: the cooperation between different stakeholders should be enhanced to prepare the whole range of services (known as one-stop-shop) that would cover all phases of internationalisation of SME. Instead of just info provision, the services in support of SME should be included in one-stop-shop.

7. IDENTIFICATION OF GAPS BETWEEN POLICY INSTRUMENTS AND SME NEEDS: SOME THOUGHTS

The existing policy instruments, being financed by national funds (through the internationalisation agency) can be described as “traditional” governmental support (calls for participation at fairs and other B2B events abroad, calls for preparation of export plans, provision of info, organisation of delegations...) with the annual (data for 2016, SPIRIT Yearly Report, 2017) total of 6.787.496 EUR eligible costs were incurred (data does not include the costs for TA of SPIRIT Slovenia). By such scarce funds the opportunistic behaviour of SME dominates over the real needs.

More, the internationalisation in targeted OP includes: development, implementation or renewal of the business models; support to business and development partnerships for the participation in global value chains; set up and functioning of one-stop-shop for domestic exporters and foreign investors; preparation of feasibility studies, market research studies as well as export plans; support by finding new market opportunities; development of new and innovative tourist products and services. There are no publicly accessible data on the allocation of funds for internationalisation (the whole priority 2.3 Dynamic and competitive entrepreneurship for green economic growth) there are 526 mio EUR in the period 2014 – 2020 foreseen, of which 362 in East Slovenia. In order to stimulate the internationalisation of Slovenian SME the bottlenecks (delays in preparation and approval of public calls) should be eliminated.

The internationalisation as priority under the ERDF is more a consequence of the 2014 – 2020 EU regulation (at least in the description of the activities) and the desk research, then of specific needs of Slovenian SME (nor by markets nor size or maturity of the SME).

However, in the interviews with the stakeholders it was obvious that there is a substantial need for cooperation among all stakeholders, foremost on national level. For the orchestration of international activities abroad the Council, composed of two dominant ministries in internationalisation – economy and the international affairs was set up. There was only one meeting (in two years) and the delegation abroad (at least as mentioned participants) are still dysfunctional as reported by participants.

Next, the SPIRIT Slovenia has only 5 civil servant that are in charge for the internationalisation, which is severe cutback for providing all the services the companies expect. That is why the survey in SMEs demonstrated that they have much higher percentage of contacts with Chambers then with the internationalisation agency. However, the TA provided by Chambers is financed by their members and not by the government. This is why there is unnecessary tension between institutions that could be easily resolved with the definition of targets, objectives as well as allocation of funds for the provision of services. Next, the yearly allocation of budget and yearly contracting between the MGRT and SPIRIT Slovenia caused unnecessary delays in publishing of calls.

In discussion with SMEs, it was obvious that they do not know whom to contact. If the national network for internationalisation would be set up then the right marketing, information

and communication should be provided including special services for micro companies that are going abroad and have difficulties even in formulating their needs.

Although the local and regional level is focused on the cross-border cooperation (not only due to the businesses performed by our SME but also due to the brain drain, challenges of daily migrations and taxation policy...) the services beyond the internal market of the EU are not provided. As already noted in other studies, the regional and local players are focused on start-ups as well as on FDI.

Recommendations for stakeholders

- 1. National stakeholder group for internationalisation should be set-up and meet regularly to monitor and steer the implementation of the public funds for internationalisation;*
- 2. The national agency for internationalisation should have its offices abroad, especially in priority markets (outside EU);*
- 3. The policy instruments should be elaborated according to the markets (internal EU market and beyond the EU);*
- 4. The internationalisation measures should be aligned to the needs of SME and shall stimulate those sectors that have the growth potential (prioritisation of only one sector, namely wood, is according to the main exporting sectors not enough);*
- 5. The internationalisation measures should differentiate beneficiaries according to their internationalisation maturity (and different needs);*
- 6. Financial institutions should be clearly involved in all steps of internationalisation policy (design, implementation, evaluation);*
- 7. The public calls should be aligned to the strategy as well as Action plans for internationalisation; the links should be revealed in the call itself;*
- 8. The implementation of the Act on balanced regional development, especially in setting up the Regional stakeholder group for internationalisation should be respected (also beyond the INTRA project);*
- 9. The national as well as regional stakeholders should be profiled according to the services provided (there should be clear avoidance of duplication of services);*

Recommendations for measures to overcome the Internal barriers

- 10. Shortage of working capital to finance export: Providing more companies with access to working capital through schemes of the SID Bank and Slovene Enterprise Fund (SEF). Companies still suffer from the credit crunch as particularly small businesses and certain groups of companies have very limited access to quick financing of ongoing operations. Strengthening microloans would enable access to sources of financing working capital. For the internationalisation a special pot should be set up.*
- 11. Lack of managerial time to deal with internationalisation and shortage of HR for export activities: A special measure should be put in place to enable SME to acquire/employ staff for internationalisation/export activities (co-financing of the working place). Other regions such as Extremadura have more than 20 years experiences in implementation of such measures.*

Recommendations for measure to overcome External Barriers

- 12. Ability to overcome strong local competitors: call for competition research; strategy for improvement; alignment of the processes/production/management.*
- 13. Obtaining reliable foreign representation: the network of business representations (at least in targeted new markets) should be set up by SPIRIT and financed by the government;*

14. *Finding strategic information to locate/analyse markets: the one-stop-shop should cover the lack of strategic information and information concerning specific markets as well as the products/goods & services;*
15. *Ability to contact overseas customers: training (communication, negotiation) shall be conducted for specific markets, including webinars, on-line assistance...*
16. *IPR Protection: targeted call (e.g. justification to be closely linked with the requirements of the market)*
17. *Transportation costs: call for design, packaging, co-financing of transportation costs.*

Recommendations for first internationalisation activities

18. *Foreign representation: availability of the services provided by the Ministry of Foreign Affairs should be promoted; in addition, the business support in foreign countries should be provided by SPIRIT offices;*
19. *Web-sites accustomed to foreign customers: call for e-marketing abroad*
20. *Scouting for funding opportunities: one-stop-shop should provide all relevant info, where, by whom, under which conditions etc.*
21. *Joint communication and promo services: call for cooperation between micro/small companies in going abroad*
22. *Distribution channels: list of distributors should be available by the one-stop-shop*
23. *Organisation of networking and B2B activities in foreign country: ongoing call, giving the priority to micro and small companies that were not subsidised before.*

8. SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<p>National level</p> <ul style="list-style-type: none"> - Council for internationalisation set up - Contacts between national institutions established <p>Regional level</p> <ul style="list-style-type: none"> - Act on regional development foresees the internationalisation as one of the core priorities on regional level - Regional stakeholders do cooperate 	<p>National level</p> <ul style="list-style-type: none"> - The roles and responsibilities are defined only for the ministry and national agency for internationalisation (SPIRIT) - The budget planning (national), yearly contracts between the ministry and SPIRIT (impacts the implementation) - Cooperation modus between different institutions is not in place (the Council for internationalisation met only once since the establishment 2 years ago) - Cooperation platform (inter alia one-stop-shop) is missing <p>Regional level</p> <ul style="list-style-type: none"> - The Act on regional development is not systematically implemented, the Regional Development Council has

	<p>no major role in strategy setting/facilitating the communication between the institutions, involved in internationalisation</p> <ul style="list-style-type: none"> - Cooperation between regional stakeholders is linked solely to the projects/programmes aimed at internationalisation
<p>OPPORTUNITIES</p> <p>National level</p> <ul style="list-style-type: none"> - Set-up of one-stop-shop for internationalisation, serving as communication platform between the stakeholders and foremost as services for the SMEs in all phases of their internationalisation with the detailed implementation programme that will enable monitoring of the performed activities/obtained results - Specialisation of institutions (division of roles and services provided to SME) - Allocation of resources for regional presence of national institutions <p>Regional level</p> <ul style="list-style-type: none"> - Inclusion into one-stop-shop - Set-up of regional strategic board for internationalisation (agreed programme) 	<p>THREATS</p> <p>National level</p> <ul style="list-style-type: none"> - Outsourcing of the internationalisation to the third parties (foreseen in one-stop-shop project of the ministry) will need agreement of all governmental parts involved in the internationalisation, including the agency, other ministries with the branch offices abroad <p>Regional level</p> <ul style="list-style-type: none"> - Due to the lack of sources the model should be lean

9. MAIN CONCLUSIONS AND RECOMMENDATIONS

Key findings that emerged from the analysis of the study evidence are:

- *Slovenian SMEs see their competitive advantage in high quality of products/services as well as high qualification of the personnel, of which both contribute to the R&D activities. In line with the competitive advantage they focus their development on quality of products and services, improving working conditions and employing new staff as well as the optimizing the total and production expenses. The R&D (technology readiness) is not relevant only for 17% of the micro companies.*

- *Limited firm resources as well as lack of requisite managerial time and shortage of human resources to export are critical constraints to SME internationalisation.*
- *Growth and knowledge as well as technology-relative motives are most influential drivers of SME internationalisation.*
- *Among the external factors that influence the internationalisation behaviour of SMEs the strong local competitors, financial investments as well as access to reliable foreign representation, including the strategic info about the markets are crucial.*
- *The support provision of the reviewed policy partially includes measures for redressing observed financial, informational and managerial knowledge-related barriers to SME internationalisation. However, there is a lack of novelties (if compared to the “traditional”, national support scheme with those of the ESIF).*
- *There is no evidence of understanding the internationalisation in narrow terms, as going beyond the EU borders – neither by SMEs nor by the stakeholders. In line with this, all public assistance that is targeting export or other activities beyond the national borders is labelled as internationalisation.*

The above summary findings underpin the following set of conclusions and recommendations:

- *The persistence of the previously identified top barriers to SME internationalisation challenges policy makers to intensify ongoing efforts at removing these resilient barriers, specifically limitations in finance and related resources, international contacts, and relevant HR knowledge.*
- *The persisting low user-level perceptions of public sector support programs call for the modelling of the process of introducing specific support programs. This typically requires different but iterative levels of idea generation and multistage screening and evaluations, and centrally involves the target user and other key stakeholders.*
- *Not only the reorganisation of the internationalisation supportive environment among the public or semi-public institutions is required if there should be any serious impact on internationalisation of SMEs. For example, the organised private sector, including the Chamber of Commerce network, could have greater involvement in designing and providing SME internationalisation support.*
- *Internationalisation support agencies are urged to rigorously audit their presence and accessibility with a view to ensuring a level of visibility and awareness comparable to the best practice examples in their „industry“. Easy and active links to accessible and relevant support programs of supra-national organisations, such as the European Commission, the United Nations, the World Bank, could be beneficial. However, at least the civil servants at different ministries should be addressed not only by the post but also by the name and competencies.*
- *Overall, policy makers need to address the following questions, among others: how to organise ourselves to be more efficient and effective in the internationalisation support? How can we take on board the SMEs as well as the private sector consultants in designing instruments and measures to support internationalisation? What actions are needed to improve awareness and perceived usefulness of our support programs for SME internationalisation?*

The current study therefore allows national and foremost Regional stakeholder group in INTRA project to design: - internationalisation models that will serve the SMEs and enable advancement of the supportive environment, in terms of new knowledge generation and achievements of the results, illustrated by the companies.

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