



**European Union**

European Regional  
Development Fund



Ελληνική Δημοκρατία  
ΠΕΡΙΦΕΡΕΙΑ ΘΕΣΣΑΛΙΑΣ

**INNOGROW**  
Interreg Europe

# POLICY BRIEF 3

PROMOTING INNOVATION IN RURAL  
ECONOMY SMEs





## SUMMARY

Based on INNOGROW research activities, the policy brief in hand provides a synopsis of concrete policy recommendations regarding rural SMEs growth. These recommendations result from an analysis of the themes identified in the course of a comparative analysis between the cases collected by project partners in their respective regions. The main issues identified revolve around financial limitations, regulatory frameworks and research and innovation. The aim of this brief is to provide public authorities with a brief set of guidelines on how to create favorable for innovation conditions along these lines.

## ACCESS TO FINANCE

*...measures for unlocking financial possibilities for rural economy SMEs*

- **Promote availability of public regional capital on early stages of financing innovative SMEs**  
Concentrating public funds policies for promoting availability of capital to business model innovative SMEs mainly on early stages of the financing of the firm could be used to leverage private sector financing in order to reduce the financing gap.
- **Establish regional and local business model innovation equity initiatives (e.g regional funds)**  
Policy makers should act to reduce distance between suppliers of funds and those who are in need of it, particularly, regarding small-scale investments.
- **Prioritise measures to ease innovative SMEs access to markets.**  
There is a need for an institutional set-up based upon the use of non-discriminatory measures which seek to support efforts made by SMEs themselves. Policy in this area seeks to tackle the disadvantages experienced by rural SMEs due to their lack of access to human resources, to external markets and to technology essential for developing innovation practices.
- **Provide financial support to SMEs that innovate**  
Design targeted financial instruments to support innovation. For instance, voucher schemes that give access to public research and education infrastructure (e.g. advice and consultancy by university experts, participation in certified programs), grant schemes to cooperate with university staff in joint research projects and seed funds for innovative start-ups.
- **Mobilize financial support synergies for rural SMEs' innovation**  
Financial support should profit from synergies with other financing instruments in order to maximize their effectiveness. For instance, seed funds for start-ups could be combined with vouchers for training in managerial skills, while matched grants for innovation activities could be linked to credit-guarantee schemes on loans obtained from banks by SMEs.

## INSTITUTIONAL FRAMEWORK

### *...Measures for improving the operational environment of rural SMEs*

- ***Develop business model consultation tools and services targeted specifically to SMEs***

The policy and implementation aim to induce growth should establish a support ecosystem that accompanies innovative SMEs for a long period of time. Authorities and relevant institutional bodies should develop specific business model consultation tools and services in collaboration with relevant stakeholders and experts that guide and assist rural SMEs throughout all stages of developing and implementing their idea.
- ***Develop clear and open policy reforms on innovation***

Clear and accessible information about the intended policy reforms as well as taking into account stakeholders' feedback would contribute to greater community engagement and improved policy results.
- ***Develop formal coordination mechanisms for rural SMEs policy among stakeholders***

A formal framework for interaction on SME policy making is needed to improve coordination among relevant ministries and government agencies. In addition, public-private consultations (PPC) on SME-related policies could also be strengthened to strike the right balance among the needs of all relevant stakeholders. Regular participation of rural SMEs representatives in such coordination mechanisms would ensure that private sector perspectives are taken into account when developing business-related regulations, thus improving stability and predictability of regulations over time.
- ***Encourage SMEs to recognise, measure, and report intangible assets***

Reporting ICT skills, organisation, software and networks, intellectual property rights, new and small firm assets can be managed more effectively and more reliably both internally as well as by capital markets and investors.
- ***Embed monitoring mechanisms to ensure that programs in support of SMEs deliver measurable results***

policy makers need to ensure that budgetary resources are available, that they are spent with care and that targets are being met. In this regard, a scheme to assess the level of implementation of the various actions should be updated regularly, identifying milestones, responsibilities, budget needs, deadlines, next steps and expected results for each practical action
- ***Improve SME statistics collection and dissemination***

Broadening and deepening the production of SME statistics could help build a more accurate picture of the sector's performance and further base policymaking on quantitative evidence. This would entail expanding the current basic structural business statistics by sector and size class (i.e. number, employment and value-added) to include more refined data on business demographics (e.g. birth rate, death rate, survival rate, high-growth enterprises), export performance (e.g. SMEs' share of export) and innovation (e.g. expenditure on R&D, technology absorption).

# SKILLS DEVELOPMENT & ENTREPRENEURIAL CULTURE

- **Promote demand-side financial education programmes targeting SME entrepreneurs**  
INNOGROW regions could put in place financial education initiatives to improve entrepreneurs' financial skills. This would help to reduce the asymmetry of information between SMEs and potential lenders, and thus the risk perceived by the latter. SMEs need greater knowledge of the financial products available in the market, as well as how to produce credible business plans and sound financial statements for banks to use to assess loan applications.
- **Develop country-wide labour market and training needs analysis**  
INNOGROW regions could perform regular region-wide labour market analyses to better understand businesses' demand for skills, identify skills shortages in the domestic economy and anticipate future developments at the regional level. For example, a framework for training needs analysis could be set up to assess SMEs' current training needs in the agrotourism sector which, according to the comparative analysis results, could further develop.
- **Strengthen stakeholder participation in developing and implementing VET policies**  
Vocational education and training (VET) systems needs to be strengthened through greater participation by stakeholders. This would improve the relevance of VET programmes for the labour market. This could be achieved through stronger involvement of employers in the design of curricula (e.g. via regional Chambers of Commerce and Industry) and the definition of minimal standards for the technical infrastructure of VET schools, as well as through strengthened participation of SMEs in sectoral committees to be consulted for regional and country-wide VET policies.
- **Improve the quality and attractiveness of regional VET institutions**  
The quality of VET needs to be enhanced to improve its attractiveness as an educational option for prospective students. A priority in this area is to build the capacity of teachers at VET institutions. This will involve dedicated training for existing teachers, a pedagogic module for university students to enable them to teach after completing their studies and involving professionals and SME entrepreneurs in the teaching body of VET schools.
- **Facilitate SME access to non-formal training**  
Stronger co-operation among stakeholders would improve the recognition and trust of non-formal education and training options. A committee involving representatives of the business sector, training providers, line ministries, and local municipalities could be set up to collect information on SMEs' training needs, map the current supply of non-formal training, ensure the quality of training providers (e.g. through officially recognized certification) and increase awareness of non-formal learning options through networking events for adult education providers.

## SMEs INTERNATIONALISATION

- ***Improve export promotion activities and export-related skills among SMEs.***
- Current export promotion activities should be broadened to provide information on priority sectors and target markets for rural economy SMEs. INNOGROW partners could also support SMEs to develop a cluster-type approach with regional and industrial business partners to help them meet the quality and quantity demands of international markets. Co-ordination at certain steps of the value chain may help SMEs strike better deals with suppliers, share promotion costs, engage in joint marketing activities, and exchange exporting knowledge.
- ***Provide targeted financial support to exporting SMEs.***
- Providing specific financial support to help exporting SMEs overcome the financing barriers and risks typically encountered when engaging in international trade. A wide portfolio of financial and insurance products could be made available, depending on the specific needs identified among rural economy SMEs. These could include export loans to finance additional working capital, export credit insurance to cover market and political risk, as well as export factoring to convert an exporter's trade receivables into discounted liquidity.
- ***Implement a blended approach support to internationalisation.***
- A blended approach could also be adopted, combining financial support and technical assistance for exporting SMEs. This would, for example, not only supply SMEs with liquidity to finance their export activities, but also equip them with the technical skills required to adequately assess the risks and challenges of trading with foreign partners, and increase the likelihood of a successful outcome and their ability to repay the loan. While trade-related financial and technical support to SMEs should be linked, they should be provided by separate entities with the relevant expertise.



## INNOVATION and R&D

### ➤ **Promote a “triplehelix” notion of innovation**

A “triplehelix” type of partnership, involving academia, the private sector, and the public sector could facilitate the development of a dynamic innovation ecosystem in INNOGROW regions. Such a triplehelix partnership improves the competitiveness of rural economy SMEs by building a more advanced, knowledge-based rural economy.

### ➤ **Enable existing technological innovations to be absorbed by rural SMEs.**

Innovation policies should also focus on enhancing rural SMEs’ capacity to absorb existing technologies. Policymakers should concentrate on creating a business ecosystem that goes beyond single-function innovations in order to include the broader concepts of technological and business model innovation.

### ➤ **Foster collaboration between industry and academia**

Linkages between businesses and universities could be encouraged to enhance applied research and SMEs’ engagement in innovation activities. A cluster-type approach could be promoted, whereby SMEs co-ordinate their needs for innovation and engage with public research facilities with a shared objective.

### ➤ **Strengthen international linkages between European, national, and local hubs of knowledge**

Transfer of institutional infrastructure, best practices, paradigmatic policies, and expertise relating to innovation practices assists SMEs access to knowledge, networking opportunities, and encourages the exchange of experiences.

### ➤ **Increase the participation of SMEs in innovative clusters.**

Interregional collaboration between rural SMEs and thematically related R&D institutions could assist dissemination of innovative practices to rural SMEs. For example, This could be achieved by building a culture of entrepreneurship at universities to promote university-based spin-offs (e.g. by including entrepreneurial features in curricula, or by fostering linkages with local start-up networks, incubators, or science parks), as well as by establishing dedicated technology transfer offices at universities to facilitate the transfer of R&D results to innovative SMEs.

### ➤ **Amend the legal framework for innovation.**

Facilitate the commercialisation of university-based research and innovation among SMEs. In particular, public universities and research centres should be allowed to own shares in spin-off companies and to commercialise their inventions and intellectual property (IP) rights generated through publicly-funded R&D.

## FEASIBILITY & IMPLEMENTATION

- ***Develop policies in consultation with relevant stakeholders.***

Since the rural SME innovation strategy is a mix of structural reforms and policy interventions, all key public authority stakeholders ought to be involved in the process. These include the ministries, banks, statistical offices, universities, and regional authorities and agencies. From the private sector, the main stakeholders to be involved include a wide array of SMEs' representatives, local Chamber of Commerce and Industry, as well as relevant sectoral associations. Clear and accessible information about the intended policy reforms would contribute to greater engagement, as would taking into account stakeholders' feedback. This will be key for securing commitment in the implementation phase and accountability for the strategy results.

- ***Provide targeted services to SMEs.***

The implementation of a rural SME innovation strategy should aim at improving the business and operational environment for SMEs. Therefore, analysis of the most pressing needs rural SMEs should be carried out in the policy areas where regional agencies intend to provide support. This will ensure that the services provided are relevant and meet the demand and needs of small entrepreneurs. When it comes to financial support, it is suggested that SMEs indicate the results to be achieved, for instance by including in their applications indicators such as an increase in value added, turnover, export, R&D investment and employment. Some of these indicators could also be put in place as entry conditions for applying for financial support.

- ***Set long-term and intermediate targets.***

The objective of the SME innovation strategy should be to improve the competitiveness of rural SMEs so they can thrive in both domestic, European, and international markets. To assess the overall success and impact of the SME regional policies, intermediate and long-term targets are needed. These need to be specific to the SME sector, and could include the number of SMEs, people employed, exporting activities, and innovation indicators, etc. It is also important to create feedback mechanisms for SMEs to regularly evaluate whether the support services implemented work well or whether adjustments are required.

- ***Embed monitoring mechanisms.***

Policies should be regularly monitored and evaluated to ensure implementation is efficient and effective. In particular, policymakers need to ensure that budgetary resources are available, that they are spent with care and that targets are being met. In this regard, a scheme to assess the level of implementation of the various actions should be updated regularly, identifying milestones, responsibilities, budget needs, deadlines, next steps and expected results for each practical action.

