RECREATE
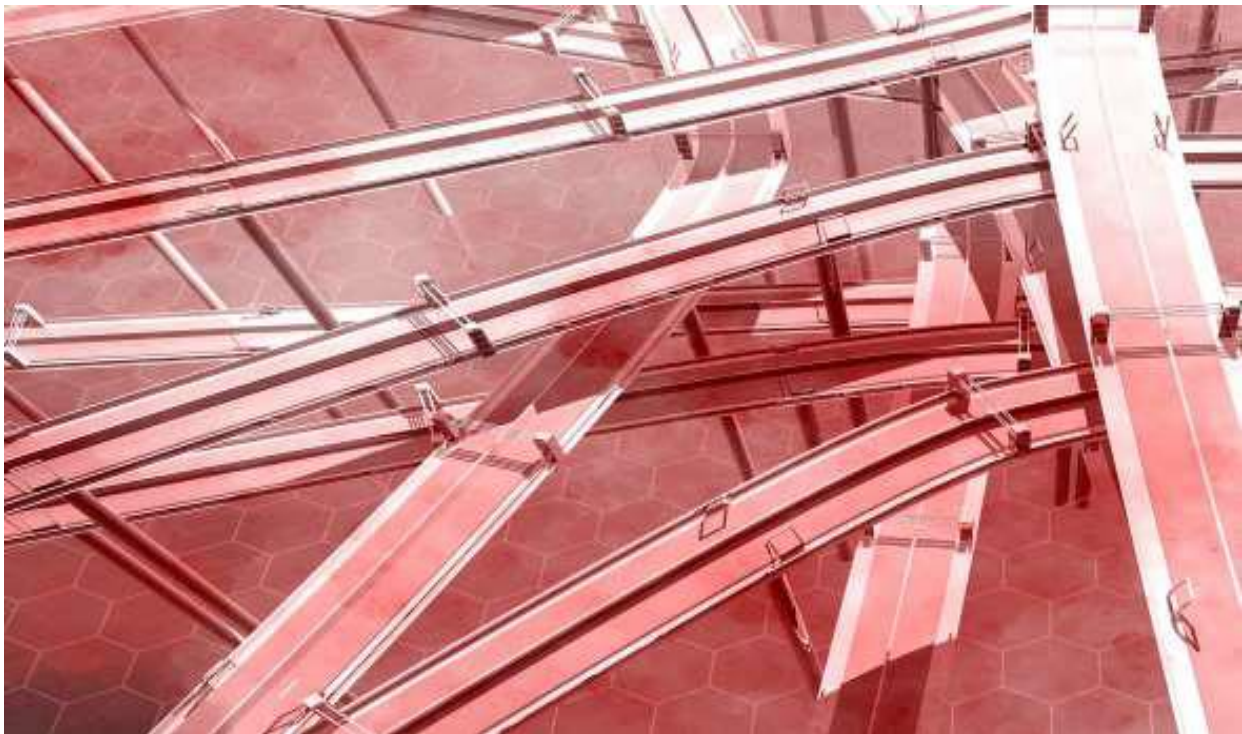
REinforce Competitiveness of REgionAl Transport SMEs

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Policy recommendations methodology

Lithuanian Innovation Center

Revision History			
Version	**Date**	**Modified by**	**Comments**
1.1	17/03/2020	P. Bacevičius (LIC)	First draft
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1.4	11/05/2020	P. Bacevičius (LIC)	Final version

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1. Introduction

SMEs currently employ 55% of the EU workforce in transport and their important role in the value chain is expected to expand. The rigid value chain of the transport sector is stifling the introduction of innovation by SMEs into new vehicles and transport-related products. SMEs (usually Tier 2 suppliers) find it difficult to interact with vehicle manufacturers, as they generally have short-term supply contracts to Tier 1 companies, who are strongly linked to specific large volume OEMs. Tier 2 SMEs have no collective voice or influence at European level and the EU is not taking advantage of or supporting directly the thriving innovative companies in this sector.

1.1. RECREATE project

The RECREATE project will address this market failure and focus on the opportunities that new markets offer to innovative and dynamic transport SMEs through the adoption of regional support schemes. It will improve the capacity and capability of regional transport SMEs to further development and growth. This includes support for: 1. Research and Development 2. Rapid development and implementation of products and services 3. Access to finance schemes 4. Internationalisation opportunities. Project adopts a holistic approach to SME support by improving all the relevant schemes that could potentially deliver growth to the regional transport SMEs. By recognising the importance and the potential of the transport SMEs in the economies of the regions involved, RECREATE will map transport SME support measures and assess their effectiveness. The integrated approach adopted by the RECREATE project will drive the identification and development of support mechanisms in the transport SME sector and it will ultimately deliver Action Plans and policy recommendations for evidence-based policy improvement.

1.2. Strategic framework to transport SMEs support

SMEs are the backbone of Europe's economy. They represent 99% of all businesses and in the last 5 years, they have created around 85% of new jobs and provided two-thirds of the total private sector employment in the EU. The European Commission considers SMEs as a key for ensuring economic growth, innovation, job creation, and social integration in the EU. The European Commission provides support for SMEs in different fields. At the centre of the Commission's actions is the Small Business Act for Europe that provides a comprehensive SME policy for the EU and EU countries and promotes entrepreneurial spirit among European citizens. The Commission also has a priority to ensure that enterprises can rely on a business-friendly environment and make the most of cross border activities, both within the EU single market and outside of it. Access to finance is the most pressing issue for many small enterprises so the EC works to improve the financing environment for SMEs and provides information about funding. SMEs can apply for European Commission funding programs such as CEF, which finances projects related to energy, ITC, and transport, or COSME which aims to improve SMEs access to finance and markets through financial instruments. In general, EU policy for SMEs aims to ensure that Union policies and actions are small business-friendly and contribute to making Europe a

more attractive place to set up a company and do business. Promotion of competitiveness and innovation are the key aspects of EU policy in relation to industry and SMEs.

1.3. Purpose of policy recommendation methodology

The purpose of the methodology scheme is to establish a common template for the RECREATE project partners to prepare credible **policy recommendations on transport SME support initiatives**. Using the same approach by all project partners, it will facilitate the integration and commonality of policy recommendations, even though the content of recommendations will differ from Country to Country according to the Country-specific innovation support schemes and context.

2. Definition of Policy Recommendations

A **methodology** is a system of methods and principals for doing something. In this case, methodology refers to methods and principles, which have to be followed in order to create credible policy recommendations in the transport sector.

A **Policy Recommendation** (*PR*) is written policy advice prepared for some group or person who has the authority to make a decision or to influence policy decisions. Policy recommendations serve to inform people who are faced with policy choices or particular issues on how to make the best decisions. It is about using research and evidence to advocate change.

In general:

- a PR document should provide enough background information for the reader in order to understand the current situation and how it results in the existing issues;
- a PR should provide enough information to convince the reader that the problem has to be addressed as soon as possible;
- a PR should identify alternative solutions for the described issue;
- the best policy option should be selected based on analysis and evidence;
- the policy recommendations should provide a solution to existing issues.

In order to prepare a recommendation, which would be credible and evidence based, it is important to gather information from various sources. In this case, the "RECREATE Transport SME Competitiveness" Report can be a useful source. Meetings with various policy makers, industry experts and transport SMEs should also be highly considered.

Policy Recommendations usually are short. A PR may include annexes or reports as attachments; however, it should not be longer than **6 – 8 pages** (**not longer than 3,000 words**).

3. Policy Recommendations Report structure

Within the framework of the RECREATE project, the policy recommendations should be dedicated to improve all the relevant schemes that could potentially deliver growth to transport SMEs. These include support for:

- Research and development;
- Rapid development and implementation of products and services;
- Access to finance schemes;
- Internationalisation.

The Policy Recommendations Report should include the parts described below to show improvement to support schemes.

3.1. Executive summary

The main question which has to be answered in this part is "**What are the main points I want policymakers to get – even if they don't read anything else?**"

The executive summary should be the first part of the Policy Recommendations report. The whole point of this part is to highlight the recommendations. Policy makers usually don't spend too much time reading these documents, so it is vital to make this part as short as possible, however, at the same time it has to entice the reader to go further. It is also very important to use recognizable buzzwords and emphasise the relevance of the research to policy to draw their attention. This part of the PR should be placed at the beginning of the report. Also, as it is a summary of the whole document, it should be written last.

3.2. Introduction

The following part should introduce and summarise the problem. It should include four things:

- It should grab the reader's attention;
- It should introduce the topic;
- It should say why this topic is important;
- It should tell the reader why there is a need to do something to improve the *status quo.*

The most important question in this section is – "**What is the policy issue and why it is particularly important?**"

By answering this question, author needs to explain the significance and urgency of the issue. The matter on which a policy decision is required should be defined by using as much detail as possible, directly linked to research. It means, that it is vital to present a clear outline of the existing situation and major challenges that are present.

Theme	Theme subset	Information[1]
Contextual information	What is the current situation in the transport sector?	**Economic performance of the transport sector** (e.g. added value, number of companies, employment, etc.)
		Competitiveness of the transport sector (e. g. exports, sector strengths and weaknesses, etc.)
		Innovation capabilities of transport sector SMEs (e. g. R&D activities, implementation of innovations, etc.)
	Transport innovation support measures	**For example**: • Type of support; • Main support measures; • Amount of funding; • Activities which are funded; • Etc.
	Main stakeholders	**Main stakeholders involved in regards to creation, management of support measures** (e. g. ministries, support agencies, regional institutions, transport SMEs, etc.)
Current situation	Use of support measures	**What is the current state of support measures? For example**: • Transport SMEs don't fully utilise existing support measures; • There are no support measures, which transport SMEs would like to have
	Reasons leading to the current situation	**For example**:

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[1]The section "Information" serves only as recommendations about what should be included in this area and gives examples about the way some paragraphs could be designed.

		• There is too much paperwork;
		• Possible financial support is too small;
		• Innovation development activities are not funded;
		• Companies don't know about existing support measures
Effects of the current situation	What does it mean for the transport sector	**For example**: Transport sector companies do not use innovation support measures and as a result, they do not implement innovation and do not perform R&D activities.

This paragraph should end with the findings which would create curiosity for the rest of the paper in order to keep the reader engaged.

3.3. Approaches and results

After the introduction, which was dedicated to present status quo, this part of the PR document should be dedicated to present approach and results. However, the focus should be on major findings while only a small paragraph should be dedicated to explaining the approach, which was used to perform the analysis.

The most important question of the results section is – "**What did we learn about the current situation?**" The introduction part was used to present the broad picture and this part should be dedicated to moving from general to specific. Concrete conclusions and results of the analysis have to be presented.

Theme	**Theme subset**	**Information**
Results	What did we learn about the current situation?	**For example**: Transport sector faces some challenges: transport SMEs do not implement innovation and as a result, they are losing their competitive edge in international markets.

It is also important to present the approach used to conduct the analysis; however, it should be short and without any additional information which could be excessive. As it was mentioned before, decision-makers don't have too much time to read these documents. Nevertheless, this

information can be useful as it gives credibility to the whole document. The major question of this part should be – „**How this study was conducted?**"

Theme	Theme subset	Information
Approach	How study was conducted?	**Information which should be presented (5-7 sentences)**: • Relevant background information; • Who conducted recommendations paper? • Methods used; • Major sources of information (discussion with experts and relevant stakeholders should be mentioned there); • Methods used to analyse data

3.4.   Implications

Implications in policy recommendations context are potential scenarios. The main question of this topic is: "**If …, then …**" (**what could happen if something won't change**). This part of the document should flow from the results and describe what the researcher thinks the consequences can be.

Theme	Theme subset	Information
Implications	If we won't take any actions, something will happen	**For example**: Transport sector SMEs do not implement innovation and struggle in international markets. If we won't improve innovation support schemes, transport SMEs will further lose their competitiveness. As a result of if, some companies might go bankrupt, the added value generated by the sector will decrease, companies will

		lose their share of the market, etc.

3.5. Recommendations

The main question to be answered in this section is – "**What has to be done?**". The Recommendations section should describe clearly what should happen next. The RECREATE project's aim is to improve all the relevant support schemes (**R&D; rapid development and implementation of products and services; access to finance schemes; internationalisation**) that could potentially deliver growth to the regional transport SMEs. It means, that the policy recommendations should be targeted to improve already existing support measures or create new ones, which would cover the spheres mentioned above. It might be useful to first of all, to present the recommendations as precise steps. Also, it is important to ensure the relevance, credibility and feasibility of recommendations. This can be achieved by following these principles and rules:

- **Objective**: first of all, there is a need to decide what the objectives of the recommendations are (is it the introduction of new innovation support measures or the changes to the already existing ones?);
- **Target audience**: before the preparation of recommendations, it is vital to determine what will be the target audience, that is who is responsible and capable to make changes in regards to support measures (regional or national level; which ministry, department, position, etc.);
- **Conciseness**: decision-makers tend to be busy people, with lots of documents demanding their attention. Because of it, documents should be focused on a particular problem or issue in regards to support measures. It is recommended to not go into details. Instead, provide not too much specific information, so the reader could spend only the minimum time to glean the information they need;
- **Accuracy**: firm evidence is essential. Policy recommendations should be based on the most recent, accurate and complete information available. Also use several different sources of information: various institutions, experts and private companies of transport sector;
- **Environment**: policy recommendations should take into account the economic climate. Recommendations to improve support measures, might be costly, so it is important to present recommendations which could be cost-neutral, or demonstrate that they are economically feasible, e. g. money needs to be spent now, however it will pay off in the future. Recommendations should also take into account existing policies and strategies, as they can have a bigger impact if they can fit in with existing strategies, programs or legislation;
- **Examples**: when creating policy recommendations, it is recommended to check if a similar approach has been taken in another country, and to outline any successes or drawbacks using real-world examples. Participating countries in the RECREATE project have various successful support measures, so it might be useful to analyse good

practices from these countries. Recommendations, based on the experience of other countries will be much stronger.

Theme	Theme subset	Information
Recommendations	What are the required actions	**In case of an improvement to already existing support measure:** • Name support scheme which has to be improved; • Identify the major drawbacks of the support measure; • Provide some steps on how it can be improved; **In case of new support measure**: • Describe the need for the new support measure; • Provide recommendations on how it could be designed

3.6.   List of References

A list of references is recommended to give credibility for the recommendations.