

Annex 4

# Evaluation of Business Finland



## International benchmark

*This Annex is an integral part of the independent evaluation of Business Finland, for which the final report was submitted by 4FRONT on 4 June 2021 to the Ministry of Economic Affairs and Employment.*



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## 1 Denmark

### 1.1 Short overview of the country

Denmark generally ranks high in measures capturing scientific performance and RDI. Particularly, in respect to measures such as *share of GERD financed by businesses* (DK: 58.5% vs. FI: 54.3%), *high-medium tech exports* (DK: 57.7% vs. FI: 48.5%) as well as *inward FDI as a share of GDP* (DK: 35% vs. FI: 31%), Denmark outperforms Finland. These figures, however, need to be nurtured with contextual information and set into a relative framework which, in turn, offers several insights that ought to be considered. For instance, while the share of GERD financed by businesses is lower in Finland than in Denmark, the equivalent measure capturing governmental contributions is higher in Finland. Also, *direct government funding of BERD* (DK: 2% vs. FI: 2.8%) indicates higher volumes in Finland vis-à-vis Denmark (see all Table 1).

Table 1.1 Data overview of Denmark

Indicator <sup>1</sup>	Denmark	Finland
GDP per capita (USD, PPP)	60 178	51 414
GERD/GDP	3%	2,8%
Share of GERD financed by businesses	58,5%	54,3%
Share of GERD financed by government	27,2%	27,8%
Share of GERD financed by rest of the world	8,9%	15,5%
High medium tech exports	57,7%	48,5%
Inward FDI as a share of GDP	35%	31%
Direct government funding of BERD	2%	2,8%
R&D tax subsidy as a share of BERD (Indirect funding)	1,26%	0%

Source: OECD Main Economic Indicators & Main Science and Technology Indicators. Latest data years 2017-2018, OECD FDI in figures 10/2020

Table 6 illustrates Denmark's main export goods and markets as of 2020. *Medicinal and pharmaceutical products* play a dominant role as they make up about 1/5 of all goods exported, with Germany being the biggest purchaser of products that can be assigned to this domain. *General industrial machinery and equipment + machine parts* follow with little under 7% (biggest buyer United States with about 11%). Other priority sectors for exporting goods are *meat and meat preparations* (4.52%; biggest purchaser Sweden: 9.5%), *articles of apparel and clothing accessories* (4.24%; Norway: 6.3%) and *power generating machinery and equipment* (3.84%; Netherlands: 6.2%).

Table 1.2 Main export goods and markets for Denmark

Main export goods		Main export markets	
Medicinal and pharmaceutical products	19,45%	Germany	13,7%
General industrial machinery and equipment, and machine parts	6,80%	United States	11,1%
Meat and meat preparations	4,52%	Sweden	9,5%
Articles of apparel and clothing accessories	4,24%	Norway	6,3%
Power generating machinery and equipment	3,84%	Netherlands	6,2%

The table above shows the top export markets, and the top export industries. Not the top export industry for the individual country. Source: Statbank, 2020

## 1.2 State of play of policy landscape

### 1.2.1 RDI policies

Denmark has a multitude of strategies and policy documents regarding RDI, such as the national Innovation Strategy “Denmark – A Nation of Solutions”.<sup>2</sup> An update to this strategy was issued in 2018 and is known under the name “Denmark – Ready to Seize Future Opportunities”.<sup>3</sup> It needs to be noted, however, that the latter is rather to be understood as a brief update limited in scope of the initial strategy published in 2012. Hence, an up-to-date overarching and comprehensive innovation strategy is currently lacking.

Denmark’s innovation system is particularly well-performing in the domain of life sciences, where the country can be considered a global powerhouse. In addition, Denmark has evolved as an innovation hub in sectors such as wind energy, robotics, or food science. These respective sectorial positions are based, and can effectively rely, on a generally innovative business sector, strong human capital, as well as strong research capacity and infrastructure. Yet, several major obstacles are to be tackled: Firstly, the ability to fully capitalise on the RDI potential can be considered non-optimal; Secondly, the increasing domestic concentration of R&D, which is exposed to increased global diversification, has the potential to put Denmark’s competitive leverage at risk.<sup>4</sup>

The main cornerstones of Denmark’s RDI landscape and its development over time are presented by Table 3.

<sup>2</sup> The Danish Government, 2012

<sup>3</sup> The Danish Government, 2018

<sup>4</sup> Ketels, et al., 2019

Table 1.2 Comprehensive Timeline of Innovation Policy Efforts in Denmark

Year	Key Effort/Step
2001	Extensive reorganisation of innovation policy
2003	First action plan devised for innovation
2008	Merger and creation of national innovation networks
2012	Innovation Strategy "Denmark – A nation of solutions"
2014	Creation of the Innovation Fund Denmark
2018	Political agreement to reform the public business-promotion system

Source: Technopolis Group

In terms of objectives, the national government set itself the following standards for its approach towards RDI:<sup>3</sup>

- *"The Government's political research and innovation strategy must support that Denmark's significant research investments result in the greatest possible return, and that knowledge dissemination to society is considerably strengthened"*
- *"The Government has the ambition that all Danish research will be of a high international quality"*
- *"Efforts to ensure research provides the best possible benefit for society" must be enforced, where "more research-based knowledge should be utilised in the private and public sectors"*

### 1.2.2 FDI policies

A generally positive and liberal attitude towards FDI can be noted, with little to no effective differentiation between domestic and foreign investors. Being a small country dependent on international trade, Denmark has pursued open and free trade to a great extent and negotiated around 50 bilateral investment treaties with other states.<sup>5</sup>

Denmark has no national screening system for FDI in place as of February 2021, though a need for such has been voiced in the past and effectively enforced by the EU in late 2020. As a result, "a cross-ministerial working group set up by the previous Danish Government is currently preparing recommendations for possible FDI screening models in order for a draft bill to be presented to Parliament in 2021. It is the intention that all parts of the Danish Realm will be subject to the FDI regime".<sup>6</sup> Attention will also be paid to designing a regime that ensures security and public order, but at the same time does not harm Denmark's position as an open and FDI-friendly economy.<sup>7</sup>

### 1.2.3 Policies for tourism promotion

Tourism policy primarily falls in the remit of the Ministry of Industry, Business and Financial Affairs, which also serves as the top strategic tourism instance in Denmark. Feeding into the Ministry's work is the Danish National Tourism Forum as well as the central organisations VisitDenmark,

<sup>5</sup> Vestergaard Pedersen, Klöcker & Madsen, 2017

<sup>6</sup> Hallberg, 2020

<sup>7</sup> Kromann Reumert, 2020



*Danish Coastal and Nature Tourism, Danish Urban Tourism* as well as *MeetDenmark*. In addition, 15-25 Local Destination Management Organisations (DMOs) operate at the regional level. The current National Tourism Strategy, which has been in place since 2016, sets out several objectives such as continued growth of the tourism industry, stronger marketing through digital channels or more innovation-driven approaches to tourism. The update of this strategy, which was announced in late 2019 and is currently in the making, will “also suggest guidelines for sustainable growth in Danish tourism that balances environmental, economic and social sustainability, thus contributing to the UN Sustainable Development Goals”.<sup>8</sup> Innovative approaches can already be found nowadays, for instance in VisitDenmark’s national Data Strategy for Danish Tourism or the Danish Board for Local Business Promotion’s fund devised for destination management, tourism development and internationalisation.<sup>8</sup>

### 1.3 Overview of stakeholders and structures

Denmark has several dedicated key agencies and institutions each addressing one of the key areas to be shed light on within the scope of this evaluation:

- i) Invest in Demark is the national investment promotion agency dedicated to attracting, maintaining and developing foreign investments;
- ii) The Danish Trade Council operating under the authority of the Ministry of Foreign Affairs is the central entity advocating for export promotion. Further support stems from DANIDA as well as five regional Business Development Centres;
- iii) The Confederation of Danish Industry as well as The Danish Export Association are private organisations focussing on export promotion;
- iv) VisitDenmark functions as the main organisation marketing Denmark as a tourist destination abroad, with a view to attracting more holiday visitors and conference delegates, all of which can generate increased revenue for the tourism industry;
- v) The Innovation Fund Denmark was created in 2014 in a joint effort by the Danish Council for Strategic Research, the Danish Council for Technology and Innovation as well as the Danish National Advanced Technology Foundation. The Innovation Found provides funding to Danish innovation and research.<sup>9</sup>

An interesting takeaway is that the Ministry of Industry, Business and Financial Affairs is the central institution for tourism promotion. In fact, this observation holds true for all other sectors considered in this benchmark analysis, with export promotion and FDI primarily being driven by the Ministry of Foreign Affairs’ Trade Council, and RDI policy by the Ministry of Higher Education and Science. It can therefore be noted that the respective ministries are the central structural organs orchestrating the operations in said sectors. A comprehensive, albeit non-exhaustive, overview of the key stakeholders and actors in Denmark in the respective sectors under investigation can be retrieved from Table 4.

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<sup>8</sup> OECD, 2020

<sup>9</sup> Innovation Fund Denmark, 2021



Table 1.3 Overview of stakeholder and structure in Denmark

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
The Trade Council	Public Body	The Trade Council, operating under the Ministry of Foreign Affairs, provides several services benefitting the internationalisation of Danish companies.  Being headquartered in Denmark, more than 70 markets worldwide are accessed through representations. In addition, seven innovation centres have been set up in Silicon Valley, Shanghai, Munich, New Delhi, Sao Paulo, Seoul and Tel Aviv.	Trade-promotions services (e.g. export counselling, innovation solutions, internationalisation strategies)  Political counselling Commercial counselling Subsidies for joint-business promotion campaigns	<a href="#">COVID-19 and the Prospects for Danish Exports</a>
Invest in Denmark	Public Body	Invest in Denmark provides solutions for foreign companies looking to set up or expand business or research activities in Denmark. Being headquartered in Denmark, several international representations have been set up, which are also complemented by national and regional offices in Aalborg, Aarhus, Silkeborg, Odense and Copenhagen.	Advice on framework conditions in Denmark Benchmark analyses Networking Business support Aftercare programmes	<a href="#">Invest in Denmark Strategy 2020</a> <a href="#">Strategy for Attracting Foreign Investments</a> <a href="#">Annual Report 2019</a>
DANIDA	Public Body	DANIDA, operating under the Ministry of Foreign Affairs, is the central brand under which Denmark's development cooperation is grouped.	Strategic Frameworks (e.g. TechVelopment, NEC Strategy)	<a href="#">Evaluation of Development Assistance</a> <a href="#">Evaluation of the Investment Fund for Developing Countries</a> <a href="#">The World 2030</a>
Regional Business Development Centres (Erhvershuse)	Public Body	Export promotion is also conducted at the regional level through six Regional Business Development Centres (Erhvershuse) in Denmark: Central Denmark, Northern Denmark, Southern Denmark, Zealand and Greater Copenhagen. It is the centres' responsibility to make sure that companies are suited to export systematically.	Evaluation of Company's export potential Networking with other Trade Council experts Exporting and Internationalisation administrative support	-
VisitDenmark	Public body	VisitDenmark is engaged in promoting Denmark as a tourist destination abroad, with a view to attracting more holiday visitors and conference delegates, who, in turn, are expected to generate increased revenue for the tourism industry.	Tourism promotion E-learning solutions about Denmark Market toolboxes Business Events	<a href="#">OECD Tourism Trends and Policies 2020: Denmark</a>

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
		VisitDenmark's headquarters are located in Copenhagen. International offices can be found in Norway, Sweden, Germany, United Kingdom, the Netherlands, Italy, the United States, China, Japan, Brazil, Russia, India and Australia.		
The Confederation of Danish Industry (DI)	Private Association	About 10,000 companies within the manufacturing, trade and service industries make up this organisation. While not exclusively focussed on export promotion, DI is actively engaged in promoting export through its international offices, representations or foreign visits.	Advisory services (e.g. business-related, legal, market knowledge, international recruitment) Events, courses and networks (e.g. delegations, representations)	<a href="#">DI's 2030 Plan – Together we create green growth</a>
The Danish Export Association	Private Association	This private association consists of around 600 members. Collectively, export campaigns are launched so as to create a forum for foreign buyers. Base in Silkeborg, local office in Copenhagen and Chinese representation in Shanghai	Export Campaigns (e.g. trade fairs, exhibitions, digital representations)	-
Danish Export Credit Agency (EKF)	Public Body	Owned by the Danish government, EKF raises financing and insures companies and banks against the potential financial and political risks of trading with other countries.	Financing for a company's buyer Providing cash guarantees Protection against export loss	<a href="#">EKF Annual Report 2019</a>
Innovation Fund Denmark	Public Body	The Innovation Fund Denmark invests in entrepreneurs, researchers and businesses that create value for Denmark and new solutions to our society's biggest challenges.	Green Missions Industrial Researcher Innofounder	<a href="#">Innovation Fund Denmark Strategy 2025</a>

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Primary spearheading national strategies are presented in Table 5.

*Table 1.4 Key National Strategy per Purpose*

Purpose	Key National Strategy
RDI	<a href="#">Denmark – A Nation of Solutions</a> (2012) <a href="#">Denmark – Ready to Seize Future Opportunities</a> (2018) <a href="#">Innovation Fund Denmark's Strategy 2025</a> (2021)
FDI	<a href="#">Strategy for Attracting Foreign Investments 2020-2023</a> (2020)
Export Promotion	<a href="#">More Trade – New Jobs</a> (2014)

Purpose	Key National Strategy
	<a href="#">Access to the World – New Paths to Grow</a> (2018)
Tourism Promotion	<a href="#">National Strategy for Danish Tourism</a> (2016)

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While the linkages between the respective strategies cannot be reliably identified and determined within the scope of this exercise, several examples of cross-sectoral cooperation can be identified. For instance, with regards to FDI, *Invest in Denmark* set up a clearly defined collaboration network, depicting the actors and collaboration interfaces in the investment promotion work. At the core of the network is a triad of *Invest in Denmark* staff located at the headquarters in Copenhagen as well as regional or international representations. This network has links to i) potential investors (international), ii) ministries and government agencies, (umbrella) organisations and other national players (national), as well as iii) municipalities and business houses, clusters and knowledge institutions and other local players (regional/local).<sup>10</sup>

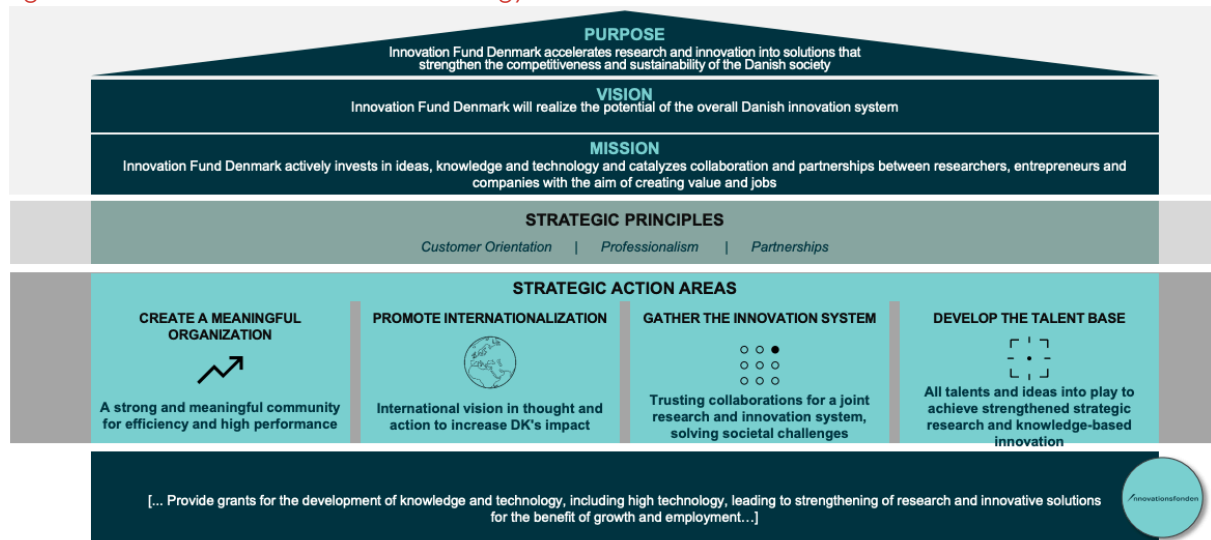
Another example of cross-sectoral cooperation can be found in the Tourism Promotion Agency *Wonderful Copenhagen's* strategy which goes by the name of *The End of Tourism as we Know it*".<sup>11</sup> Therein, the development of a tourism co-innovation platform which enables "a systematic way of innovating new solutions together with current and new partners" had been announced. This endeavour was eventually implemented through the *TourismX* project, which has given more than 40 businesses the opportunity to develop and test their tourism-related innovations. Aalborg University, Roskilde University and University of Southern Denmark function as knowledge partners of the project which is being co-financed by the EU, the five Danish regions and private partners, and has a volume of 20 million DKK (about 2.7 million EUR; conversion rate of 02.04.2021).

The Innovation Fund Denmark offers an insightful case of how innovation agencies implement holistic approaches that have the potential to, and, in fact, do shape the overall national approach to innovation. The Fund's latest strategy called *Innovation Fund Denmark Strategy 2025* clearly spans over, and includes several stakeholder groups, explicitly respecting universities, start-ups, large companies and SMEs alike. Moreover, it clearly defines strategic action areas, principles as well as mission-, vision- and purpose-oriented goals (see Figure 1).

<sup>10</sup> Invest in Denmark, 2020

<sup>11</sup> Wonderful Copenhagen, 2017

Figure 1.1 Innovation Fund Denmark Strategy 2025



Source (Innovation Fund Denmark, 2021)

An interesting element that can be found across all four focal areas (RDI, FDI, Export Promotion and Tourism Promotion) is that regionalisation and sub-national service offers are prominent, albeit to varying degrees. Particularly the Tourism Promotion domain is spread out across the country with subcentres in each of the five regions, amounting to a total of 15-25 Local Destination Management Organisations (DMOs). Tourism promotion services are offered in each of these centres, which also hold regional and local services specifically targeted at stakeholders and beneficiaries in the given geographic context. For instance, the Destination Management Organisation of the Danish region Nordsjælland, *Visit Nordsjælland*, identified its four core strengths that ought to boost tourism in the region and upon which support services will be offered to beneficiaries as i) outdoor, ii) history and culture, iii) only in Nordsjælland, as well as iv) unique meeting places in Nordsjælland. It is furthermore claimed that support will be devised in a targeted manner through i) close dialogue and interaction with all actors and stakeholders, ii) being at the forefront of the latest research and incorporating gathered findings, or iii) facilitating relevant networks and events, for instance.<sup>12</sup> Similarly region-specific approaches can also be found in *Invest in Denmark*, which has offices in five different locations throughout the country (see Table 4) and 14 representations worldwide. What unites different approaches across all focal areas is that major organisations catering these areas are nationally active and coordinated, yet additionally offering regionally specific services through hubs, international and sub-national offices. Moreover, regional business development centres, so-called *Erhvervsbureau* which, among other services, are instrumental in the provision of export promotion, can be found in six different locations throughout the country. Further information on their work and function is provided in latter sections of this analysis.

#### 1.4 In-Depth Analysis: Export Promotion in Denmark

Export Promotion is driven by the Ministry of Foreign Affairs and its integrated Trade Council, with other stakeholders such as the Confederation of Danish Industry or the Danish Export Association (see Table 4) playing an important role, too. Particularly the Trade Council is an

<sup>12</sup> Visit Nordsjælland, 2019

“entry point for Danish companies wanting to export and to internationalise their business”.<sup>13</sup> The Trade Council's annual budget sums up to about € 54-62 million.<sup>13</sup> Table 6 provides an overview of the breakdown of said budget as of 2019.

*Table 1.5 Total investment and funding model for exports and foreign investment in Denmark<sup>14</sup>*

Country	Public sector funding in EUR millions	User payment EUR millions	Total investment EUR millions	Public sector funding/export value	Percentage of public sector funding	Percentage of user payment
Denmark	48,93	15,43	64,3	0.031%	76%	24%

#### 1.4.1 State of play of policy landscape

Denmark released its first export **strategy** called “More Trade – New Jobs” in 2014, which divided markets into the three categories of traditional, growth and developing.<sup>15</sup> The 2018 update of the export strategy, which goes by the name of “Access to the world – new paths to grow” outlines the following strategic objectives: i) ensuring favourable international framework conditions; ii) contributing to increased exports and market share for the Danish business sector; iii) the development of more high-growth enterprises through internationalisation; iv) the attraction of more investment into Denmark; as well as v) strengthening the Danish position in the fields of innovation and digitalisation.<sup>16</sup> A major vehicle expected to materialise these goals is economic diplomacy, which is referred to as the government's endeavour to strengthen Denmark's economic position in the world with the help of the country's foreign authorities and trade offices. The according approach is anchored in the Danish Government's Strategy for Economic Diplomacy. The key objectives listed therein are i) To ensure favourable international framework conditions, ii) To contribute to increased exports and market share for the Danish business sector, iii) To develop more high-growth enterprises through internationalisation, iv) To attract more investment to Denmark, as well as v) To strengthen the Danish leadership position in the fields of innovation and the digital transition. Targeted trade policies, increased reliance on knowledge, innovation and technology or sector-specific cooperation efforts are some of the tools defined to achieve these goals.<sup>17</sup>

#### 1.4.2 Overview of stakeholders and structures

In terms of **structural composition**, Figure 2 illustrates the setup in which the Trade Council operates in the national context. The Trade Council functions as the central national key instance. Export promotion activities are disseminated and implemented with the help of the Danish Board of Business Development and particularly its Regional Business Hubs (so-called Erhvervshusen). In fact, these regional representations play a pivotal role in the export

<sup>13</sup> Trade Council Denmark, 2021a

<sup>14</sup> This table is an edited table from Innovation Norway 2020, Stronger, more strategic and closer to the enterprises, page 17

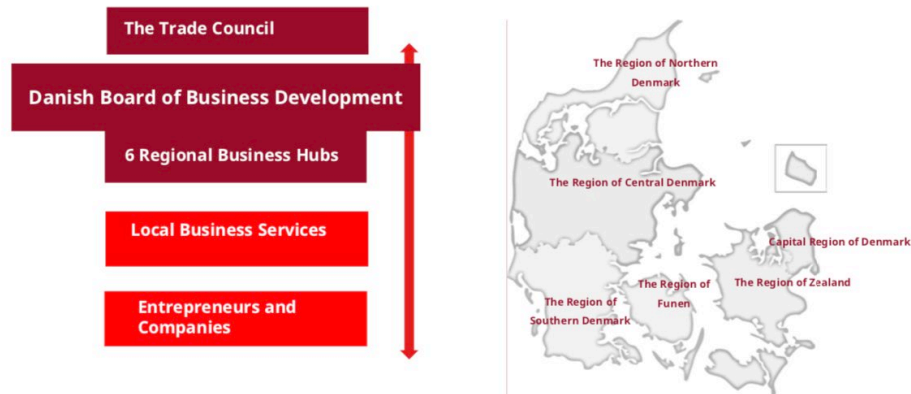
<sup>15</sup> Ministry of Foreign Affairs of Denmark, 2014

<sup>16</sup> Regeringen, 2018

<sup>17</sup> Ministry of Foreign Affairs of Denmark, 2018

promotion journey of companies, as they serve as a door to services offered within the respective **regional** hubs as well as the Trade Council at national level. In total, there are six regional hubs, with one in each of Denmark's regions.

Figure 1.2 The Danish Trade Council in the National Context



Source: (Trade Council Denmark, 2021a)

Though closely cooperating with the Trade Council, **Erhvervshusen** are independent organizations that were established on behalf of the state and are governed and funded through regional cooperation. The current structure has been enabled in course of a new law that was adopted in Denmark in 2018, which purpose was to simplify and improve business promotion throughout the country.

First evidence and experience suggest that this restructuration process has facilitated not only the internal set-up, but also the external image and service delivery, as benefitting companies or other stakeholders are now provided with a clearer overview of the services one can claim as well as the interfaces through which they are delivered. Erhvervshusen have a central role in Denmark's business and export promotion, especially regarding the regional development of SMEs. An export adviser from the Trade Council is located at each regional hub. In addition, Erhvervshusen also collaborate with private actors to ensure that companies get the support they need, for instance, in cases where Erhvervshusen themselves cannot offer specific services.<sup>18</sup>

Erhvervshusen themselves also nourish internationalisation and exporting motivations. For instance, North Jutland's regional business hub aspires to increase the degree of internationalisation of its companies. Other regions, such as Bornholm or Funen, identify large potential lying in export and internationalisation which has not been tapped into yet but is considered crucial for the economic development and future prosperity of the respective regions. Similarly, also Central Jutland aspires to foster growth and strengthen competitiveness which would eventually lead to a bigger number of internationally competing companies. Subsequent approaches foresee i) unleashing the export potential of SMEs, ii) raising companies' awareness of international innovation and research activities, and iii) identifying and increasing the use of professional, international partners, advisors and networks.<sup>19</sup>

<sup>18</sup> Ministry of Foreign Affairs of Denmark, 2021a

<sup>19</sup> Danmarks Erhvervsfremmebestyrelse, 2020

It needs to be stressed that the services provided in Erhvervshuset are strictly at the regional level and do not expand to international spheres. While some of the export promotion services are provided in said Erhvervshuset, the majority of support stems from the Trade Council's international network (see section 2.3). Hence, reversing the focus by looking at the **international** dimension, the Trade Council, an integral part of the Ministry of Foreign Affairs, is strongly linked to said ministry's network of embassies, consulates, and trade offices, and thereby effectively co-located at 105 representations in 79 countries as of April 2021 (see Figure 3). In terms of internal organisation and structural set-up, the Trade Council divides its international network into seven geographic areas, which are of relevance in the effective implementation of services, as will be elaborated on below.<sup>20</sup>

Figure 1.3 The Trade Council's International Representations



Source (Trade Council Denmark, 2021a)

One of the key ambitions in maintaining this international network is to build relationships, develop networks and proactively identify global opportunities.<sup>21</sup> For instance, through the Danish Trade Council's representations, global signals and potential opportunities for Danish companies are collected and listed in a [dedicated database](#). A more elaborate overview of the key services offered is presented in latter sections of this case description.

Another pivotal actor is the **Danish Export Credit Agency** (EKF), which attracts customers abroad by "helping raise financing and by insuring companies and banks against the potential financial and political risks of trading with other countries".<sup>22</sup> It does so in particular by offering companies export credit financing and export credit guarantees.

In addition, the private **Confederation of Danish Industry** (DI) ought to be shed light on, too. DI takes a leading role in "the success of Danish companies turning global opportunities into successful business results".<sup>23</sup> Through its offices in ten countries, DI's export and internationalisation activities focus on i) The interests of Danish companies in the EU, ii) Better

<sup>20</sup> The Trade Council Denmark, 2021b

<sup>21</sup> Innovation Norway, 2020

<sup>22</sup> EKF, 2021

<sup>23</sup> Danish Industry, 2021



conditions for global trade and investment, iii) Helping members enter new markets as well as iv) Developing the markets of the future. A representative export journey for companies relying on DI's services starts "at home", where the respective company's goals, opportunities, and challenges in the context of the market to be entered are analysed. Following this delineation of the baseline, developing concrete business plans, and actually entering the market are further steps in which DI offers support. Additional navigation and support for further growth is provided, too.<sup>24</sup>

### 1.4.3 Services and support

In the realm of export promotion, Denmark particularly wants to support **SMEs**. This is reflected in the Trade Council's beneficiaries, where currently about a quarter of "participants in the public sector's business promotion system are made up of small but experienced companies that had not previously displayed growth potential".<sup>17</sup> Increasing the success rate of SMEs in terms of internationalisation is, in fact, a key indicator. Subsequently, several key strategic endeavours have been pursued. For instance, a specific programme for "born globals", i.e., companies which business model is fully or substantially digital and thereby believed to be prone to internationalisation, has been launched by devising strategic support in selected primary markets. The abovementioned notion of Economic Diplomacy is directly mirrored in the Trade Council's work and services offered and devised along the four lines of i) Export advice and access to markets, ii) Growth, iii) Investment promotion as well as iv) Innovation (see Figure 4).

Figure 1.4 Overview of the Trade Council's Work and Services



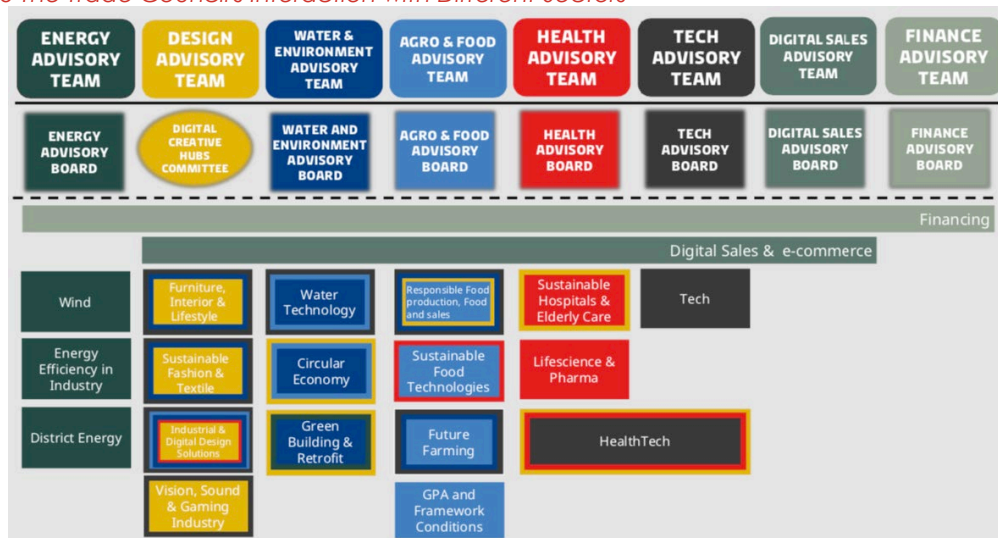
Source (Trade Council Denmark, 2021a)

The approach to providing services has changed over the past decades. While the focus used to lie on promoting and supporting individual companies, it now lies on promoting solutions collectively and highlighting Denmark's areas in which a competitive advantage exists. Thus, **sectoral expert teams** play a pivotal role (see Figure 5). These technical experts provide targeted advice for companies wishing to export, are expected to be agile and supply these companies with insights up to state-of-the-art standard of technology, and are present at both,

<sup>24</sup> Danish Industry, 2019

the Trade Council's headquarters in Copenhagen and internationally. In the context of the latter, an expert team for each sector is present in each of the seven world regions defined by the Trade Council. This reflects the effective **delivery mechanism of services**, which is primarily channelled through regional business hubs and international representations, with the national headquarters of the Trade Council rather assuming a coordinating role in the background. A typical **export journey** of a company would therefore start at one of the Erhvervshusen, where the basic foundation is being laid, before moving into the international arena (e.g., embassies, sectoral area experts), where many of the Trade Council's below-mentioned services are effectively being implemented. This set-up is enabled by the fact that the Trade Council is an integral part of the Ministry of Foreign Affairs and can thereby access its resources and benefit from its political leverage.

Figure 1.5 The Trade Council's Interaction with Different Sectors



Source (Trade Council Denmark, 2021a)

#### 1.4.3.1 Overview of commonly employed services and support

A commonly referred-to service is the so-called **Export Sparring**, which is particularly designed for SMEs with limited resources and intended to help “devising an export strategy and selecting the right export market”.<sup>25</sup> While developed centrally, this service is primarily proposed at regional level through the six Erhvervshusen. The offer consists of two stages, the first of which includes independent sparring with an experienced internationalisation consultant focussing on setting the scene for success in new markets. Points under consideration are export readiness, business models and scalability, export financing, export strategy, sales channels, or collaboration agreements, for instance.<sup>26</sup> In the second stage, experts from the Trade Council in the specific market a company wants to enter provide their support. Here, 15 hours of free market advice per market is granted.<sup>27</sup> More information on the services offered at regional level as well as services' pricing is provided below.

<sup>25</sup> Trade Council Denmark, 2021c

<sup>26</sup> Erhvervshus Nordjylland, 2021

<sup>27</sup> Erhvervshus Hovestaden, 2021

**Trade missions** are a “traditional” means that belongs to the standard repertoire of export promotion. In Denmark, services usually offered within a mission include market analysis & partner search, providing access to private and public key players, giving sector-specific advice, or delegations and other events.<sup>13</sup> These missions may also be approached through **Joint Business Promotion Campaigns**. These campaigns are financed by the Trade Council and always devised for a group of at least seven Danish Companies (thereby joint), which collectively engage in promotional activities abroad, such as trade fairs, missions, or delegation visits as well as virtual and digitalised internationalisation efforts.<sup>18</sup> Said activities are focussed on i) the internationalisation of Danish companies and joint accession of foreign markets, ii) establishment of contacts, and iii) internal knowledge exchange between the companies grouped in a joint business promotion campaign. The Danish government wishes to particularly strengthen green growth and has therefore prioritised campaigns that aim at sustainable development and transitions. Promotions can also be implemented across industries, meaning that companies from different sectors can be grouped together. Up to 75% of the eligible project costs will be covered by the Trade Council, with the remainder being borne by the participating companies. If the total revenue of the respective campaign exceeds the total project costs, the subsidy granted by the Trade Council will be reduced. The joint business promotions must thus not generate profits.<sup>28</sup>

**Strategic Business Alliances** are used to “create an alliance of small, medium-sized and large companies, exchanging information between each other and acting together in international markets”.<sup>25</sup> In practice, the Trade Council's advisors of the respective export markets find domestic businesses, which goods and services complement each other, so as to cooperatively constitute a coherent and competitive offer. In other words, a portfolio of companies is developed in which goods and services are bundled to increase the collective chances of winning a tender or generally being commercially successful in any given export market. A key benefit is that both, smaller- and bigger-size companies can be bundled in a portfolio, thereby jointly creating economies of scale and exchanging knowledge in the process.<sup>25</sup>

#### 1.4.3.2 Accessibility of services and support

Abovementioned services are offered in both, **free and paid** formats. In general, basic services are offered free of charge by the Trade Council and the Erhvervshusen. For in-depth advisory services or greater participation in export promotion services or missions, companies are being charged. The revenue stemming from paid services makes up about 25% of the Trade Council's annual budget, with the remainder being covered by public means. The fees have been revised in course of the **COVID-19 pandemic**, which was in full effect at the time of writing. Prior to 2020, the hourly fee was DKK 995 (€134); This was lowered to DKK 500 (€67) in 2020. Additionally, companies can apply for subsidies of up to 50% for these services,<sup>29</sup> and grant shares were increased from 50% to 75%. Moreover, in case of cancellations caused by Covid-19, expenses incurred can be reimbursed with up to 50%.<sup>18</sup> For private advisory services organised through, and coordinated by, Erhvervshusen, companies may apply for grants.<sup>30</sup> As a procedural adjustment to the Covid-19 pandemic, more and more financial means are

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<sup>28</sup> Ministry of Foreign Affairs of Denmark, 2021b

<sup>29</sup> Trade Council Denmark, 2021a

<sup>30</sup> Erhvervshus Midtjylland, 2020

provided for fully or partially digital service implementations, such as (virtual) joint business promotion campaigns.<sup>18</sup>

The Trade Council also aspires to cooperate with a **multitude of different stakeholders**. In fact, a key message commonly communicated is that “Danish strongholds must also be promoted in multilateral cooperation, including within the UN and the development banks, for example via targeted secondments and by making key Danish competences visible within such fields as water and energy”.<sup>17</sup> In practice, this ought to be implemented through public-private-partnerships (PPPs), where an interplay of the Government, Academia and Industry is the preferred way forward.<sup>18</sup> In practice, close collaboration is fostered between the Trade Council and the Danish clusters of excellence or other private (industry) associations. As most associations (with the most noteworthy exception being the Confederation of Danish Industry) do not offer its member companies advice on export promotion, collaboration agreements with the Trade Council have been set up. In this scenario, the entry point to the export journey is not one of the regional Erhvervshusen, but directly the national headquarters of the Trade Council in Copenhagen. Another example, though driven by the aforementioned private Confederation of Danish Industry, can be found in the so-called initiative *Road to Exporting*, which is a “research project led by Professor Jakob R. Much [which was] initiated with the support from The Danish Industry Foundation to help Danish companies to a better approach to foreign markets”.<sup>31</sup> The purpose of this project is to uncover and identify new knowledge on the effectiveness of different export services provided by public as well as private organisations on one hand, while actively supporting these organisations and the businesses benefitting from their services in a hands-on manner on the other.<sup>31</sup>

#### 1.4.3.3 Effectiveness of services and support

The **effectiveness** of the services and approach outlined thus far has been researched and assessed on several occasions. Therein, it was found that promotion services by the Trade Council raise the exports of participating companies by 5.7%.<sup>32</sup> In terms of perceived effects, 42% of participating companies believed business promotion to have had an impact on their export activities either to a large or a very large extent. Moreover, about 63% of companies that have benefitted from any of the abovementioned services eventually make the decision to enter the market for which they received said services. This indicates that more than half of companies make the step from consultation and preparation to actual implementation. Zooming in on the specific benefits gained by participating businesses, particularly networking was repeatedly pointed at. Approximately 70% of businesses reported to have gained contacts, expanded their networks and identified key players in the respective export markets.<sup>33</sup> In another evaluation, which focussed on the VITUS programme – an internationalisation policy measure – it was found that the 15 hours of export sparring free of charge functioned as a significant incentive and effective entry point for many businesses, which could otherwise not pursue their exporting motivations. At the same time, however, while serving a seemingly motivating purpose in spurring motivation and pursuing initial steps, it was

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<sup>31</sup> Road to Exporting, 2021

<sup>32</sup> Arnason, Much & Schaur, 2019

<sup>33</sup> Damvad Analytics, 2017

also found that several services and programmes do not last long enough, with many businesses effectively still needing further support and advice thereafter.<sup>34</sup>

## 1.5 Conclusions

To conclude, several **lessons** can be taken away from the Danish approach to export promotion:

- Collectively promoting solutions that reflect domestic competitive advantages and core areas of expertise has proven to be an effective approach as opposed to individual, per-company advice that spreads out the portfolio and service infrastructure.
- Tying into the previous point, a clear structural set-up with Erhvervshusen (regional), the Trade Council (national) and the embassies, consulates etc. at which the Trade Council is effectively co-located (international) was a major vehicle of growth in Denmark. The 2018 restructuring process that has led to this multilevel set-up (see section 2.2) has assigned clear responsibilities both, internally and externally. At the same time, common standards, such as a centralised IT-infrastructure, are important. The current Danish set-up of regional, national and international levels is believed to have worked well.
- The fact that the Trade Council is integrated into the Ministry of Foreign Affairs is a fundamental structural decision that is believed to have worked in the Danish export promotion activities' favour. The resources, access and political leverage thereby gained are at the heart of many of the Trade Council's approaches and services.
- Technical, sectoral expertise is key, and more important than more "traditional" services offered by export promotion agencies, such as general market insights. In fact, providing general market information about other countries is considered to be less and less important, as nowadays, this can either be researched by the companies wishing to export themselves or through other private consultancies. Technical and sector-specific expertise, on the other hand, directly provides benefitting companies with actionable and hands-on support that can be implemented more immediately.
- While being crucial, the Danish case also shows that it is increasingly difficult to add to, or even match the knowledge levels of the companies the Trade Council assists. Investments in attracting the right experts to sustain high-quality expertise that can be shared is therefore key.
- Services need to focus on higher-value-adding sections of the value chain, meaning that services should increasingly move towards actively supporting commercialisation in export markets. The Trade Council does this through its Joint Business Promotion Campaigns or Strategic Business Alliances, for instance.
- Lastly, requiring participating companies to also commit their financial resources to the Trade Council's services is believed to be an important factor. Relying on paid services (which may be subsidised, see above) has shown to result in greater commitment of companies and thereby more successful outcomes of export promotion. At the same time, paid services make up about 25% of the Trade Council's annual budget (see above), in turn enabling the council to offer better services and reinvest these financial means for the companies' benefit.

## Note

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<sup>34</sup> Larsen, 2018

The in-depth analysis of export promotion in Denmark was prepared with the kind support of representatives from The Trade Council Denmark and The Confederation of Danish Industry, who dedicated their time and agreed to have in-depth conversations with the study team. Findings and insights gathered through these conversations are reflected in multiple places throughout the analysis. The identity of the respondents may be disclosed upon individual request.

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## 2 Ireland

### 2.1 Short overview of the country

Ireland is a successful economy and export has a vital role in it. GDP per capita figures indicate Ireland is among the top OECD countries. Table 1 illustrates key statistical figures for Ireland. Ireland is a very open economy which is illustrated by the volumes of inward FDI as well as gross trade (OECD, 2017). SMEs dominate the economy (OECD, 2019). Services constitute three quarters of GDP and are relevant in export share as well (European Commission, 2017). Export of services has had the highest growth in the past decade (Technopolis Group, 2017).

Ireland is among EU strong innovators scoring above EU average in recent EU innovation systems scoreboard and is progressing well (European Commission, 2020). MNCs dominate in highly productive sectors and are leading business R&D performers (European Commission, 2017). Improving the performance of R&D by indigenous enterprises is one of the challenges Ireland faces. Business is the main funder of R&D in Ireland, and in recent years this sector has increased its funding, followed by the higher education sector. Public expenditure on R&D is one of Ireland's problems as it invests less than the EU average (European Commission, 2017).

Table 2.1 Data overview of Ireland

Indicator <sup>35</sup>	Ireland	Finland
GDP per capita (USD, PPP) <sup>36</sup>	88 241	51 414
GERD/GDP	1%	2,8%
Share of GERD financed by businesses	52,1%	54,3%
Share of GERD financed by government	22,9%	27,8%
Share of GERD financed by rest of the world	23,4%	15,5%
High medium tech exports	59,2%	48,5%
Inward FDI as a share of GDP	296%	31%
Direct government funding of BERD	4.6%	2,8%
R&D tax subsidy as a share of BERD (Indirect funding)	12,8%	0%

Source: OECD Main Economic Indicators & Main Science and Technology Indicators. Latest data years 2017-2018, OECD FDI in figures 10/2020

As illustrated in Table 2, Ireland's primary export goods are medical and pharmaceutical products. The main export markets remain the United States and several European countries.

<sup>35</sup> OECD (2020), Main Science and Technology Indicators, Volume 2020 Issue 1, OECD Publishing, Paris, <https://doi.org/10.1787/e3c3bda6-en>

<sup>36</sup> World Development Indicators database, World Bank

Table 6.2 Main export goods and markets for Ireland

Main export goods <sup>37</sup>		Main export markets	
Medicinal and pharmaceutical products	38,5%	United States	31%
Organic chemicals	19,3%	Belgium	10%
Electrical machines apparatus, and appliances	5,8%	Germany	9%
Essential oils, perfume materials, toilet preparations etc	4,8%	United Kingdom	10%
Miscellaneous manufactured articles, n.e.s.	4,3%	Netherlands	6%

Source: Central Statistics Office

## 2.2 State of play of policy landscape

Ireland has made continuous policy efforts to attract FDI and especially knowledge-intensive FDI, while only recently particular focus has been placed on growing RDI capabilities of indigenous enterprises. Currently, the R&D performance of indigenous enterprises and collaboration between enterprises and the academic sector are key challenges in Irish R&D&I policy. This has been addressed by government strategies and by Science Foundation Ireland with the establishment of further research centres that emphasize strong industry engagement.

Ireland's innovation strategy Innovation 2020 defines specific industry sectors as investment priorities (ICT, health and medical industry, food, energy, manufacturing and materials, services and business processes). There is also a specific focus on encouraging start-ups and SMEs to promote design sector development in Ireland. In terms of research and innovation, the strategy has six key priorities: encouraging indigenous SMEs to engage in research and innovation; enhancing research and innovation related skills by supporting early career researchers' progression into entrepreneurship; support for business model innovations; support for spin-off development. A mid-term review of the strategy also introduced mission orientation and SDGs. However, there are no further recent strategic policy developments in this direction.

The operating period of the Innovation 2020 strategy has recently ended. Future RDI related policy issues are covered in the National Planning Framework, which, together with the National Development Plan 2018-2027, form Project Ireland 2040. Project Ireland 2040 is the government's vision for the development of the country over the coming decades. Project Ireland 2040 will shape Ireland's national, regional and local spatial development in economic, environmental and social terms to 2040. The National Planning Framework prioritizes the development of "A strong economy supported by enterprise, innovation and skills across the

<sup>37</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-ti/irelandstradeingoods2019/toptradingpartners2019/>

country" as one of the 10 National Strategic Outcomes. To enhance Ireland's ability to create "places" that can foster enterprise and innovation and attract investment and talent, the National Development Fund has earmarked an indicative €9.4bn capital allocation for investment. A portion of this capital allocation will directly fund investment in research and innovation to support the network of Research Centres and Technology Centres in the regions, including significant investment in advanced manufacturing, development of a National Space Technologies Programme, and a robust national High-Performance Computing programme. It will also establish a Disruptive Technologies Innovation Fund to stimulate the development and deployment of disruptive technologies.

In 2019 Ireland developed and published its Industry 4.0 Strategy 2020-2025, thus emphasizing this sector of the economy. The vision underpinning this strategy is that by 2025 Ireland will be a competitive, innovation-driven manufacturing hub at the frontier of the fourth industrial revolution and the forefront of Industry 4.0 development and adoption.

The most recent policy development in Ireland in response to OECD recommendations is a long-term strategic blueprint for Irish SMEs and entrepreneurs to be finalised in conjunction with the National Economic Plan. Blueprint was published in January 2021 by a high-level task force. The plan emphasises the role of strong entrepreneurial culture, as well as diverse forms of entrepreneurship and specific objective, is formulated as follows: "Ireland will be characterised by a strong entrepreneurial culture, recognised for the innovative quality of its entrepreneurs, and acknowledged by entrepreneurs as a world-class environment in which to start and grow a business. The challenge is to harness to the full the entrepreneurial potential of all those living in Ireland, whether they are establishing a social or commercial enterprise". The plan emphasises clustering and envisions the state's role in providing coordinated and targeted funding for the operation of networks and clusters. The role of SMEs is emphasised in the context of a carbon-neutral economy. It is envisioned that SMEs are not only resilient to challenges related to this but rather are active in innovation in the design, development and delivery of carbon-neutral products and services (Report of the SME Taskforce, 2021).

To summarise, the recent economic policy focus in Ireland is on the main challenge of the Irish RDI system – insufficient RDI activity by endogenous enterprises. This is approached by various practical policy means (support for common research projects, encouraging research careers in industry, etc.). Societal challenges have been recognized and covered by the policy framework but are not followed up with strong innovation policy measures. The most recent policy strategies focus on specific industry sectors with a targeted strategy for industry 4.0, advanced manufacturing and disruptive technologies (project Ireland 2040), and a strong focus on the carbon-neutral economy in the recently published entrepreneurship plan.

The RDI agenda has been championed by successive ministers and policy teams within the Department of Business, Enterprise & Innovation through a series of national strategies that sought to underpin sustainable growth and stimulation of innovation and entrepreneurship (Technopolis Group, 2021). **Research orientation seems to be more dominant than export** in the current Irish entrepreneurship policy. Historic over-reliance on FDI has made enterprise policy framework now more oriented towards indigenous firms and their innovation potential. This is evident also through increased public support to firms, especially with R&D tax incentives. At the same time, at the strategic level, Enterprise Ireland's most recent strategy has an equal focus on innovation and export promotion activities. Both are among the three key pillars of the strategy and contain a list of specific measures (Enterprise Ireland, 2021). This is not a topic discussed in the literature covering Irish entrepreneurship policy; therefore, consultation with policymakers would be needed to understand the priorities better.

## 2.3 Overview of stakeholders and structures

### Key stakeholders in entrepreneurship and RDI policy

The government of Ireland takes a whole-of-government approach to the development and oversight of policy initiatives to ensure coherence, coordination and streamlining of strategy implementation. The Department of Business Enterprise, Trade and Employment (DBETE) has the key role in implementing enterprise and innovation policy and coordinating these policies across government departments. In its coordinating role, the DBETE consults broadly with other departments on policy directions and actions. The DBETE chairs an Implementation Group established to govern the implementation of the Innovation 2020 strategy. The governance structure includes the Chief Scientific Advisor to the government and high-level representation from Research funding departments and agencies. The requirement for annual reporting on progress to the Cabinet Committee ensures accountability for effective and coordinated implementation (OECD, 2019).

Table 3 below illustrates key bodies involved in delivering RDI policy, FDI attraction, export and tourism promotion. The DBETE is responsible for the development, promotion and coordination of RDI policy and FDI attraction. Enterprise Ireland is the key agency for RDI and export promotion. It has a wide range of funding and service mix covering a package of export services and support for innovation, business and collaborative research, and commercialization. The agency has responded to Covid-19 challenges and Brexit, and both are now among key priorities of the agency alongside continued acceleration of innovation, digitalization and transition to a low carbon economy and scaling and growing in export markets.

**Table 2.7** Overview of stakeholders and structure in Ireland

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
Enterprise Ireland	Public body	Export promotion, support for increased research capacity, collaboration between enterprises and research organizations, promotes awareness of the benefits of innovation and provides important funding support in the form of both grants and equity.  Central office, 10	<b>Export</b> Export advisory services including foreign offices, market research, trade events and missions and other.  <b>RDI</b> Commercialization fund, technology centres, Technology Gateway programme, Innovation partnerships, small business innovation research, innovation vouchers, support for international	Review of RD&I Supports available to Businesses in Ireland to Maximise Business Expenditure on Research and Development. Available at: <a href="https://enterprise.gov.ie/en/Publications/Review-of-RDI-Supports-to-Maximise-Business-Expenditure-on-RD.html">https://enterprise.gov.ie/en/Publications/Review-of-RDI-Supports-to-Maximise-Business-Expenditure-on-RD.html</a>  Realising the opportunities for enterprise in the bioeconomy and circular economy in Ireland. This paper aims to ensure that the Department of Business, Enterprise and Innovation's response to issues arising from the transition to a low carbon circular economy and bioeconomy is informed by a clear evidence-based understanding of the potential enterprise opportunities.  Mid-term review of Innovation 2020 evaluates the progress made in achievement of strategy objectives. Available at: <a href="https://enterprise.gov.ie/en/Publications/Publication-files/Mid-term-Review-of-Innovation-2020.pdf">https://enterprise.gov.ie/en/Publications/Publication-files/Mid-term-Review-of-Innovation-2020.pdf</a>

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
		regional offices and 33 offices abroad.	research collaboration projects.	
Local Enterprise Offices (LEOs)	Public body	First stop support for small enterprises in regions not yet qualifying for Enterprise Ireland support	Training, advice, mentoring Agile Innovation fund	Focused Policy Assessment of Start Up and Entrepreneurship Expenditure
IDA Ireland	Public body	Principal agency charged with attracting FDI	Information, funding and training for potential FDI International offices Targeted support to navigate Covid-19 related circumstances	OECD FDI Qualities Assessment of Ireland. This report examines the impact of foreign direct investment (FDI) attracted to Ireland over the period 2006- 16 and provides an overview of the direct contribution and spillover effects of this investment on the local economy.
Tourism Ireland	Public body	Agency is responsible for marketing the island of Ireland as a holiday and business tourism destination overseas. It devises and implements marketing programmes in more than 20 markets across the world and provides industry partners with opportunities to market their own products and services alongside it overseas.	Along marketing agency offers promotional activities overseas for industry partners and works with travel trade.	Tourism marketing fund evaluation.

## 2.4 In-depth analysis - Enterprise Ireland services at local, national and international levels

### 2.4.1 Services, investment amounts and fees

Enterprise Ireland operates a range of innovation support measures providing funding and provides the following services (Enterprise Ireland b, 2021):

- Export assistance - including the provision of in-market services, local market information and the facilities of international office network
- Support to develop competitiveness - helping companies to become leaner to make them more competitive in international markets
- Incentives to stimulate in-company R&D – new product, service and process development to ensure sustainability, and growth through the evolution of products and services
- Assistance with R&D collaboration - with research institutions, to develop and bring to market new technologies, products or processes
- Connections and introductions to customers overseas - access to a global network of contacts

Companies can receive assistance from Enterprise Ireland development advisers. They are primary contact point for companies. The primary function of an Enterprise Ireland adviser is to carry out an assessment of business development needs and to ensure that the company is aware of all Enterprise Ireland supports and services.

Advisers are available to:

- discuss business development needs
- provide impartial confidential advice on business plans
- provide information on a range of financial and business development supports available from Enterprise Ireland
- guide through the application process for relevant support
- inform about relevant events

Table 4 shows the total public sector investment in export and foreign investment promotion. User payments are not used for these services in Ireland. Some export promotion services, for example, trade missions, require a participation fee. The fee is lower for registered Enterprise Ireland clients. It is also differentiated for diverse participation packages. Standard packages include attendance to mission events, press releases, the inclusion of profile in mission directory, group rate for the hotel, airport transfers, logistical support. Inclusive packages arrange one-to-one meetings with potential customers.

Enterprise Ireland does not charge for its services but keeps very close track of the staff time spent on providing services. For example, managers of overseas offices regularly review their portfolio of client companies and decide on to which companies an individual staff member is assigned and on which companies the staff will spend more time with one to one services. This includes reviewing the client's commitment and potential. There is no intention to charge the services in the future because it is assumed it would change the dynamic of the relationship between Enterprise Ireland and clients. If fees are charged instead of being a trusted advisor to the company, one can wonder about some alternative objectives Enterprise Ireland might have. Enterprise Ireland believes its overall costs to maintain the overseas office network are relatively modest. The agency employs roughly 200 people, the cost of all overseas offices is



approximately 30m EUR per year. That supports a couple of thousand companies and exports worth 26b EUR and growing.

*Table 2.8 Total investment and funding model for exports and foreign investment in Ireland*

Country	Public sector funding in EUR millions*	User payment EUR millions*	Total investment EUR millions*	Public sector funding/export value	Percentage of public sector funding	Percentage of user payment
Ireland	64,56	0	64,56	0.012%	100%	0%

\*Resource investments, export values, and exchange rates are from 2019

#### 2.4.2 Collaboration with regional level

Enterprise Ireland operates a national network of nine **regional offices** throughout Ireland. Regional offices support collaboration with 31 Local Enterprise Offices (LEOs) and ensure a local presence to deliver services and events to SMEs. Regional offices manage a portfolio of Enterprise Ireland clients in each region - typically those transferring from LEOs to Enterprise Ireland and companies at an early stage of exporting.

Regional offices are very closely linked to the LEOs in each county/region. For example, an Enterprise Ireland representative sits on the evaluation committees for each LEO when approving grant funding to LEO clients. A big focus for regional offices is the development of infrastructure projects which build on regional enterprise strengths e.g. innovation clusters, enterprise centres, co-working hubs. These type of eco-system initiatives are often anchored around the expertise of third level institutes or clusters of companies in a particular country or region.

Contributing to the attraction of FDI and supporting Enterprise Ireland client companies to develop second sites outside of Dublin are also key activities for the regional offices. Regional offices also play a representational and coordination role, helping to ensure that local initiatives are aligned to national policy objectives.

**LEOs are the key actors for regional and local entrepreneurship support** and provide direct financial support to micro businesses. Micro Enterprises are businesses with 10 or less employees.

The main task of LEOs is to identify indigenous firms who show a potential for export and can be channelled up to Enterprise Ireland for further assistance on internationalisation efforts (OECD, 2019). Enterprise Ireland has a service agreement with each LEO regulating the operation of the respective office, for example it sets quantitative targets of how many local firms are expected to qualify for Enterprise Ireland programmes. Enterprise Ireland has a role in coordinating and guiding the work of LEOs.

LEOs provide the following services:

- advise on a range of alternative funding options available
- offer business information, advisory services and enterprise support
- deliver training to meet the needs of business
- mentor business with experienced experts



- guide to the services most relevant to support the growth and development of business
- give advice on local authority regulations, planning, accessibility, environment, procurement and other issues affecting business.
- connect with appropriate state resources for business including relevant agencies
- create progression pathways for high-potential companies to Enterprise Ireland

Figure 1 presents Enterprise Ireland and LEOs programmes for entrepreneurship. As evident in the figure, both organisations have programmes targeting capability building, funding at the validation phase and growth and scale phases. Thus, all these aspects are covered by national and regional level organisations with specific programmes.

Figure 2.6 Overview of Enterprise Ireland and LEOs programmes and their objectives

## Capability building

- **EI Mentoring - Competitive Feasibility Fund**
  - Used to support the cost of a Mentor Assignment. EI matches clients with an experienced business mentor to assist in the start-up phase or to advise on specific areas of business plans.
- **EI New Frontiers Programme**
  - This is a development programme for early-stage startups. It is based in 16 campus incubation centres across the country. It is funded and managed by Enterprise Ireland, and delivered at a local level by the Institutes of Technology. New Frontiers is not an academic programme and is delivered by seasoned business practitioners and entrepreneurs.
- **LEOs Mentoring Support**
  - Used to support the cost of a Mentor Assignment. LEOs match clients with a business mentor to assist in the start-up phase or to advise on specific areas of business plans.
- **LEOs Start Your Own Business**
  - Aims to assist the small business community in meeting the challenges of the business world, LEOs provide a wide range of high-quality training supports which are tailored to meet specific business requirements.

## Funding - Validation phase

- **EI Competitive Feasibility fund**
  - Assist new start-up companies or entrepreneurs, to assess the viability of a new growth-orientated business proposition which has the potential to become a HPSU. Another objective includes increasing the number of female Entrepreneurs in the entrepreneurial base to circa 20 percent.
- **EI Competitive Start Fund**
  - Offers companies a €50k equity investment designed to accelerate the development of HPSUs companies by supporting them to achieve commercial and technical milestones such as evaluating international market opportunities or building a prototype.
- **EI HPSU Feasibility Grant**
  - The objective of the programme is to provide the necessary information to enable the promoter (and Enterprise Ireland) to reach conclusions regarding the project's viability and set out investor ready plans and financials associated with developing and commercialising your innovative product or service on international markets.
- **LEO Feasibility Grants**
  - Feasibility Study Grants are designed to assist the promoter with researching market demand for a product or service and examining its sustainability. It includes assistance with innovation including specific consultancy requirements, hiring of expertise from third level colleges private specialists, design and prototype development.
- **LEO Priming Grants**
  - A Priming Grant is a business start-up grant, available to micro enterprises within the first 18 months of start-up. Priming grants may be available for sole traders, partnerships or limited companies providing they fulfil a number of criteria.
- **LEO Technical Assistance for Micro Exporters Grant**
  - The Technical Assistance for Micro Exporters' Grants were introduced in 2017. They part-fund the costs incurred investigating and researching export markets. The objective of these grants is to increase the numbers of LEO clients developing new export opportunities.

## Funding - Growth and Scale Phase

- **EI High Potential Start-Ups Equity**
  - Allows EI to offer equity investment to HPSU clients, on a co-funded basis to support the implementation of a company's business plan. First time and follow-on equity investments in HPSUs are supported under this offer.
- **Seed and Venture Capital Scheme**
  - The overarching stated goal of the SVC scheme is "to increase the availability of risk capital for SMEs to support economic growth through the continued development of the Seed and Venture Capital Sector in Ireland to achieve a more robust, commercially viable and sustainable sector".
- **LEO Business Expansion Grant**
  - Allows the LEOs to offer support to companies looking to expand operations.

Source: Department of Business, Enterprise and Innovation, 2017

In 2014, the 35 County and City Enterprise Boards were dissolved by legislation and 31 LEOs were established under the local authority structure. Enterprise Ireland and the county or city councils have signed up to a framework Service Level Agreement (now known as the Oversight and Performance delivery agreement), which provides for the operation of LEOs, by the county/city councils. People who work for LEOs (usually 4-5 FTE staff per office) are employed by the county/city councils (Department of Business, Enterprise and Innovation, 2017).

In the past, each county in Ireland had its own enterprise section. They had their own activities and their own different programmes for companies and their own focus on particular sectors. As a result, there was no real standardisation across all of what the local authorities were doing. And to some extent, that was appropriate because different parts of the country had different industry focus. The enterprise sections in counties/city councils did not have much central coordination.

Around 2014 Enterprise Ireland was instructed by the government to set up within Enterprise Ireland a centre of excellence for regional outreach. This is a small unit within Enterprise Ireland with 10 to a maximum of 15 people that provides a **coordination mechanism to ensure that there are programmes rolled out through the LEOs for companies with less than ten employees**. The Enterprise Ireland unit for coordinating the work of LEOs provides coordination and guidance, but there is also some flexibility in LEOs on what industry areas to prioritise. Enterprise Ireland develops and trains LEOs staff to ensure maintenance and improvement of core enterprise support skills, sets targets for progression of high potential companies from the LEO network to Enterprise Ireland, and undertakes performance evaluations.

To summarise, **LEOs provide direct financial support to micro-businesses that are not yet ready for Enterprise Ireland programmes**. LEOs thus function as a first filter to avoid very small starting businesses overload Enterprise Ireland client flow. LEOs create progression pathways for high-potential companies to Enterprise Ireland. Through this arrangement, the **government can offer micro-enterprises and SMEs more accessible access to a broader range of support and provide a more straightforward pathway for micro-enterprises in manufacturing and tradable services to move up to the Enterprise Ireland client base**.

While overall considered successful, the model is not without its challenges. Often small companies in regions have grants approved by the LEOs and take time to complete the projects. In this phase, they cannot transfer to Enterprise Ireland. This is a **bureaucratic hurdle that makes it slow and difficult to identify and transfer the right cohorts of fast-growing micro-enterprises into Enterprise Ireland at the right time**. The transfer happens, but it happens maybe slower and with more bureaucracy than was envisaged when the LEOs structure was set up. Overall, LEOs work with roughly 30 000 companies a year, and only approximately 100-200 companies transition into Enterprise Ireland clientele. According to Enterprise Ireland, this is below their expectations. It's low relative to what Enterprise Ireland needs, and it's low relative to what is in the LEOs portfolio.

There is evidence that Enterprise Ireland funding provided through programmes attracts and supports new performers from regions (Technopolis Group, 2021). However, OECD has concluded that there is untapped entrepreneurial potential within the firm base (OECD, 2017). This suggests a further role for the LEOs across Ireland to better tap into this potential for innovation among firms (Technopolis Group, 2021). OECD concluded that Enterprise Ireland support and services are highly valued by a relatively small cohort (three or four thousand companies) that are export focussed and high growth. Because of the evidence from the OECD SME review, the direction over the last two years has been to ensure a closer alignment between the activities of LEOs and Enterprise Ireland.

Micro and small enterprises in Ireland are not active in the export and are insufficiently addressed by Enterprise Ireland. Enterprise Ireland has not traditionally focussed on helping companies to become exporters. This is why **one of the headline targets for Enterprise Ireland in the next period is to grow the overall number of companies exporting**. That will involve quite

a significant amount of re-organising the work with LEOs having much closer coordination. This is perceived as a challenge by Enterprise Ireland. Partly because the staff of LEOs are not Enterprise Ireland staff and working cultures are slightly different, not always at local level highly competent people can be hired. It is envisioned that Enterprise Ireland, with help from LEOs will try to reach small regional companies through regional events organised by Enterprise Ireland. The focus of these is reaching out to companies not yet active in export, and events like export compass webinars are organised. The future is to brand Enterprise Ireland and LEOs more as a single point of contact for the regional companies.

#### 2.4.3 *The role of overseas offices*

Enterprise Ireland operates over 40 international locations, facilitating access to more than 60 countries worldwide. In 2019 the prime minister and foreign minister made a significant commitment to double Ireland's diplomatic footprint. It resulted in **opening new embassies and consulates and providing additional resources to Enterprise Ireland**. Ireland's approach recently has been to build resources in markets where there is export potential and a strong base of companies exporting there. This resulted in opening second offices in several locations. Enterprise Ireland went from having 30 overseas offices to 40, with new offices spread mainly in countries where Enterprise Ireland was already present. The approach Enterprise Ireland takes is opening fewer offices in new markets because there's generally a relatively low number of companies interested in this. Instead, companies look for more sectorial expertise in the core export markets. There is a political interest in having a better presence in emerging markets, but for the moment, most Enterprise Ireland clients are not committed to long-term investments and activity in these markets; therefore, in the nearest future, the approach will be to have a minor presence in emerging markets with Enterprise Ireland own staff and rather engage a wide network of consultants. Enterprise Ireland focuses on its established clients, where its business support teams can judge a firm's export readiness and the network's ability to add value to those ambitions. Enterprise Ireland staff in foreign offices are instructed to carefully consider company development potential and how much time can be invested in each client.

At the central office all Enterprise Ireland services, programmes and financial support are made available to clients via an assigned Development Adviser. Companies involved in significant expansion, R&D, export or investment activity are assigned a Development Adviser who discusses business needs and relevant support available from Enterprise Ireland.

A recent evaluation found that Enterprise Ireland's management of the network of overseas offices over time has been dynamic and responsive, and the decision-making process is detailed and fit for purpose. The approach is seen as flexible and opportunity-driven, and concerns, if any, relate to adequate access to resources (staff) to provide a suitable presence in the market (Technopolis Group, 2017).

The revision of work with the regional level discussed in the previous section has implications for the work with international offices. Overseas offices had typically been, over the last 10 to 15 years, instructed and incentivised to work with companies that were going to have the most impact on exports, which is Ireland's top 200 -500 exporting companies. These are bigger companies, more capable of going global. Until recently, overseas offices focused quite a lot of time on one to one work at the top of the clientele pyramid. That is now changing. Overseas offices, particularly in the US, the UK, in the Eurozone, are going to address more companies down the pyramid. They **will organise more events and provide more services to companies entering a market for the first time**. This change of approach is because for focus on long term

expert perspective is needed. To ensure long term export growth Enterprise Ireland has to work with companies that will be exporters in the future.

This will require a significant change of practice in the overseas offices because support to established exporters is different to what starters need. The overseas offices do not have many employees. Some regions are covered with very small numbers. For example, recently, the whole of Latin America was covered by an office in Brazil with 2 FTE staff and a network of consultants. The main export markets are the UK and the USA and Enterprise Ireland has larger offices in these countries, roughly 20-40 people. **Limited numbers of employees in the overseas offices will be challenging for addressing the new task of working with first-time exporters.** This will probably mean a more selective approach with existing exporters and the provision of one to one services. Instead, more events, webinars and general training sessions will be organised. This is again seen as a challenge because the current client base requests more one to one services and value that. This issue of balancing the services for first-time exporters and experienced exporters is not yet fully figured out. Still, the most likely approach Enterprise Ireland will take is to have separate teams in overseas offices working with different types of clients.






Greater focus on first-time exporters has implications also for the **performance measurement of overseas offices.** Emphasis on first-time exporters means that there is a need for different targets and measurements. So far a lot of focus has been on trade missions, one to one itineraries and buyer introductions. This is measured by the number of deals and the role overseas offices played in these new deals. This is still relevant, but new measures will be put in place to measure increased awareness, new companies entering new markets and similar indicators.

**Covid-19 pandemic and some lessons from it will have an impact on how some of the export services will be organised in the future.** Pre pandemic, the overseas office's staff, spent most of the time providing one to one consultations to the clients, often in the country where the office is located. With travel restrictions, this was no longer possible, and the offices had to figure out new ways of working. Overall it went well because Enterprise Ireland had all systems for online working in a place, and it was only a matter of starting the remote work. Before the pandemic, Enterprise Ireland had considered moving online its annual event for meeting heads of overseas offices. Pandemic finally forced it to happen, and Enterprise Ireland learned that this format actually works much better for the companies, and they manage to save costs and reduce the environmental impact of travel associated with in-person meetings. Still, in some emerging markets with conservative values in-person presence and trade missions with government officials work better than any virtual events.

The most recent external **evaluation of Enterprise Ireland overseas offices** was performed in 2017. The key findings of this evaluation are presented in Figure 2. As evident in the figure, Enterprise Ireland's client's exports (especially in services) have increased by a factor of 2.3 in the last decade, signalling successful operation. The overall satisfaction of the clients supports this. The most valued services are overseas visits, trade fairs and study visits and introductions to potential customers.



Figure 2.7 High-level findings from the most recent evaluation of Enterprise Ireland overseas offices

High-level findings	
	<b>Enterprise Ireland clients' exports increased by a factor of 2.3 in 12 years (€24.5b in 2016)</b>
	Exports in <b>manufacturing remain dominant</b> among Enterprise Ireland clients, €15.8b in 2016 (67%), predominantly underpinned by food, drink and tobacco
	Exports in <b>services increased by 323%</b> in 12 years (€7.0b in 2016) among Enterprise Ireland clients, mainly driven by 'business services' and 'computer consultancy'
	Enterprise Ireland clients <b>rely more on trade with the United Kingdom</b> (43% of merchandise exports and 21% of services), compared with the rest of agency-supported clients (12% of merchandise exports and 19% of services) Enterprise Ireland clients rely <b>less on other European countries in services</b> exports but comparatively much <b>more on non-European trade partners</b>
<b>4,178</b>	The number of unique companies supported by the Network 2005 – 2015 The Network <b>supports 57 client companies per €m in 2015</b> (from 44 in 2005)
	Clients broadly satisfied with services. Services regarded most valuable in clients' view are: <ul style="list-style-type: none"> <li>• Overseas visits, trade fairs and study visits (55%)</li> <li>• Effecting introductions to potential customers, buyers or partners (54%)</li> </ul>
<b>59%</b>	Percentage of clients that believe their <b>expansion to the Eurozone is attributable to the Network</b> support they received to a great or some extent
<b>8.8%</b>	Econometric analysis shows the <b>Overseas Office Network led to an (average) increase of 8.8% on the value of annual exports</b> a year later

Source: Technopolis Group, 2017. Evaluation of the Overseas Office Activities of the Enterprise Development Agencies.

The evaluation found that despite broad satisfaction with services received, some interviewed clients identified variability among offices and suggested that more systematised sharing of good practice could be introduced (Technopolis Group, 2017).

The evaluation also found that there were mixed views among high-level stakeholders and overseas office network executives about the extent to which the Enterprise Ireland overseas office network is cooperating with other relevant national agencies and industry bodies to the level that it might (Technopolis Group, 2017). This was also confirmed by the interviewee from Enterprise Ireland, especially about the role of the overseas network in supporting first-time exporters.

## 2.5 Conclusions

Enterprise Ireland is a public agency with long-lasting experience in integrating support for RDI and export. It runs a network of foreign offices helping to achieve export objectives and



oversees the operation of regionally located Local Enterprise Offices (LEOs) aiming to support micro-businesses.

Several **lessons** can be taken away from Enterprise Ireland approach to cooperation with the regional level and export promotion:

- Operation and coordination of LEOs have overall proven to be a successful tool for ensuring presence in regions and providing the first point of contact for micro-companies. This is a good instrument to avoid overcrowding Enterprise Ireland programmes and services at the national level.
- Enterprise Ireland invests in the quality of LEOs services. It develops and trains LEOs staff to ensure maintenance and improvement of core enterprise support skills, sets targets for progression of high potential companies from the LEO network to Enterprise Ireland, and undertakes performance evaluations. Through this arrangement, the government is able to offer micro-enterprises and SMEs easier access to a wider range of supports and provide a clearer pathway for micro-enterprises in manufacturing and tradable services to move up to the Enterprise Ireland client base.
- Even a well-developed set-up for targeting the companies at the regional level has not delivered the expected results in having higher numbers of first-time exporters in the Enterprise Ireland clientele. To address this, closer collaboration with LEOs is planned and in general, Enterprise Ireland will develop more services targeting first-time exporters.
- Operation of overseas offices has been successful even with sometimes limited staff in some of the territories. Enterprise Ireland is careful in establishing a great presence in emerging markets if it does not see demand from its clientele. This is despite the overall political will to have a wider presence and the most recent evaluation suggesting wider presence in emerging markets. Enterprise Ireland is present in these markets, but with smaller staff numbers and external sectoral consultancy, help is often sought in case the demand increases. Sectoral consultancy is often needed also to supplement general market knowledge offered by Enterprise Ireland staff.
- The overseas network, although evaluated as very relevant in terms of contribution to the growth of exports of Irish companies, has been criticised for insufficient cooperation with various institutions at home/Ireland.
- Until recently, overseas offices worked only with established exporters. This mission will change soon, and in light of policy objectives to secure long-term export growth, the overseas offices will have a greater role in working with first-time exporters.
- Covid-19 has also introduced some changes in the operation of the overseas offices. Many in-person services are now digital and will likely remain in this format in the future. Enterprise Ireland has been considering greater digitalisation of services and the pandemic provided an important push towards this direction.

### Note

The in-depth analysis of collaboration with local level and overseas offices in Ireland was prepared with the kind support of representative from the Enterprise Ireland who dedicated their time and agreed to have in-depth interview with the study team. Findings and insights gathered through the interview are reflected in multiple places throughout the analysis. The identity of the respondent may be disclosed upon individual request

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### 3 Norway

#### 3.1 Short overview of the country

Norway is a diverse industrial society with a free-market economy, which relies on foreign trade. A significant share of the economy consists of service industries, including wholesale and retail trade, banking, insurance, engineering, transport and communications and public services. However, Norway's economic development has been strongly influenced by the petroleum industry.

Table 1 illustrates key statistical figures for Norway compared to Finland. Norway outperforms Finland in GDP per capita, inward FDI and a higher share of GERD financed by the public sector. In general, GERD/GDP has been stagnant or decreasing for most countries in Europe, since 2012, while Norway as of 2017 has matched the EU-28 average since the long-term plan for research and higher education 2015-2024 has been in effect. Since 2012 GERD/GDP has increased by just under 30% in Norway, with most of the increased funding being sourced by public sector initiatives. Despite the acceleration of funding for R&D from the state, Norway is still under the targeted 3%.

*Table 3.9 Data overview of Norway in comparison to Finland*

Indicator	Norway	Finland
GDP per capita PPP	66 831	51 414
GERD/GDP	2,2%	2,8%
Share of GERD financed by businesses	42,0%	54,3%
Share of GERD financed by government	48%	27,8%
Share of GERD financed by rest of the world	8,2%	15,5%
High medium tech exports	44,8%	48,5%
Inward FDI as a share of GDP	40,0%	31%
Direct government funding of BERD, as a percentage of BERD	9.9%	2,8%
R&D tax subsidy as a share of BERD (Indirect funding)	11,1%	0%

Source: OECD Main Economic Indicators & Main Science and Technology Indicators. Latest data years 2018-2019, OECD FDI in figures 10/2020<sup>38</sup>

Table 2 lists the main export goods and markets for Norway. Unsurprisingly, ocean industries dominate their exports, among them being petroleum, gas, and from fishery. Norway is one of the world's largest oil and gas producers, while also being the second the largest exporter of fish and seafood. Non-ferrous metals account for 7.8% of the exported goods and lastly industrial machinery and equipment account for 2.2%.

Norway's main export partners are European countries (over 70% of the exported goods). The single most important export markets are the United Kingdom (17%), primarily because of the

<sup>38</sup> OECD 2020(a), Main Science and Technology Indicators, Volume 2020 Issue 1, OECD Publishing, Paris,

gas pipeline between the two countries. Other important trade partners are China, 7.8% and, United States with 4% of total exports in 2020.

*Table 3.10 Main export goods and markets for Norway*

Main export goods		Main export markets	
Petroleum, petroleum products	32.1%	United Kingdom	17.4%
Gas natural and manufactured	16.6%	Germany	11.7%
Fish, crustaceans, molluscs, and prep. thereof	13.2%	Netherlands	9.9%
Non-ferrous metals	6.9%	Sweden	9.9%
General industrial machinery and equipment	2.2%	China	7.8%

The table above shows the top export markets, and the top export industries. Not the top export industry for the individual country Source: Statistics Norway (2020)

## 3.2 State of play and policy landscape

### 3.2.1 RDI policies

Norway has concluded their sixth year of the “long-term plan for research and higher education 2015-2024”. The long-term plan is a new policy tool for Norway, partly based on OECD Science, Technology, and Industry Outlook 2014, concerning the characteristics of highly developed R&D&I systems being the pursuit of long-term investments in the knowledge base. This is achieved through investments in human resources (education, recruitment, and capacity building) and equipment. Secondly, bolstering competitiveness through prioritised efforts to address major social challenges. A primary objective of the long-term plan is that R&D spending amounts to 3 percent of GDP by 2030.<sup>39</sup>

Furthermore, the Norwegian government has set three overarching objectives within the long-term plan, with (1) aims at enhancing competitiveness and innovation, (2) tackling major social challenges and (3) developing research communities of outstanding quality. The research bill also highlighted the importance of making the most of Horizon 2020, where they expected the Norwegian expert communities to actively participate and in some areas be at the forefront.

Norway allocated more of its government resources to R&D compared to other comparable OECD countries. Approximately half of Norwegian R&D is performed by the Business enterprise sector. Norway is behind the 3% spending target, but on track in terms of public spending.<sup>40</sup> Norway struggles with reaching a higher level of GERD due to the high share of value creation in resource-based industries and high GDP. Over time, GERD as percentage of GDP has

<sup>39</sup> Norwegian Ministry of Education and Research, 2015. Long-term plan for research and higher education 2015–2024.

<sup>40</sup> Espen Solberg; RIO Country Report 2015: Norway; EUR 27858 EN; doi:10.2791/662065.

remained relatively stable, fluctuating between 1.5 and 1.7% during the last decades, but reached 2.2% in 2018/2019.

The OECD review of innovation policy in Norway<sup>41</sup>, challenged Norwegian policymakers to take a more transformative approach by identifying a 'a triple transition imperative':

- Shift towards a more diversified and robust economy
- Move towards a more competitive, effective, and efficient innovation system.
- Achieve these structural transformations while supporting research and innovation that can confront an array of societal challenges.

### 3.2.2 FDI policies

Norwegian lawmakers and businesses welcome foreign investment and in terms of policy, the government generally grants national treatment to foreign investors. In 2013 the government established an official investment promotional agency, "Invest in Norway". The purpose of the agency is to help attract and assist foreign investors, particularly in the key offshore petroleum sector and in less developed regions such as northern Norway. Invest in Norway – handles requests from foreign companies considering locating in Norway. As part of the below mentioned export and internationalisation strategy, a study of how Norway could better themselves in attracting foreign investments and competencies will be carried out.

As of 2020, the main sectors attracting FDI, is mining and extraction, making up a third. Finance, insurance and property, and industry makes up 17% respectively.

### 3.2.3 Export policies

The Norwegian government launched in 2017 an export and internationalisation strategy. The strategy aims mainly at: 1) securing Norwegian SMEs access to new and existing markets, 2) increase export from both existing and new actors, 3) attracting foreign direct investments to Norway, 4) Positioning Norway as a leading research and innovation hub in fields where we have specialist expertise, to further develop academic communities and attract foreign competence to Norway and 5) adjust the policy instruments for effective export support. The strategy has a clear focus on the connection between internationalisation and innovation. The strategy also emphasises promotion efforts to achieve the goals specified in Agenda 2030<sup>42</sup>.

Following the new strategy, a new leadership group was elected by the board, and from being mainly focused on entrepreneurship, they have shifted to focus more on export promotion to meet global needs and to diversify their exports, that are highly dependent on natural resources. Nevertheless, the strong focus on big industries has provided Norway with a very strong export industry around oil and gas with a lot of money going down, which has created a lot of technological development down the value chain, which have benefited them in terms of innovation in these sectors, mainly the maritime industry.

In Norway, an extensive regional reform has revised the regions and the 19 regions (fylken) have been reduced to 11. In connection with the reform, the responsibility for some areas have been moved from the state to the counties. Norway envisions this to create stronger regions with a more efficient framework for coordinating activities that solves cross sectoral challenges.

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<sup>41</sup> OECD reviews of innovation policy: Norway 2017. OECD Publishing, Paris. <https://doi.org/10.1787/9789264277960-en>

<sup>42</sup> Norwegian Ministry of Trade, Industry and Fisheries, 2017. Strategy for Export and Internationalisation. Oslo.

### 3.2.4 Tourism policies

Tourism is mainly the responsibility of Ministry of Trade, Industry and Fisheries with cooperation from other ministries to co-ordinate policies that are important for tourism. The tourism in Norway compared to other industries has a low level of value creation and profitability. The main issues are the low share of high value-added tourism products, seasonality, and lack of co-operation between destinations. However, in 2017 the government presented national policy priorities for developing tourism, which consisted of; 1) establishing sound framework conditions for business activity, 2) developing a sustainable tourism industry, 3) increasing co-operation between stakeholders, 4) continuing to promote Norway as a tourism destination, 5) increasing knowledge and expertise in the tourism industry, and 6) improving accessibility to boost competitiveness.<sup>43</sup>

## 3.3 Overview of stakeholders, strategy, and structure

Recent strategy trends have been directed to facing the societal challenges, while also putting great effort into the internationalising of SMEs through Innovation Norway and their instruments. The system for R&D&I, export and tourism promotion is in relative measures centralised with overlapping responsibilities and objectives between organisations.

### 3.3.1 Governance and steering

**Table 3** gives a non-exhaustive overview of different stakeholders and structures in Norway relevant to R&D&I, export promotion and tourism promotion. The Norwegian R&I, export and tourism promotion is mainly steered by the Ministry of Trade, Industry and Fisheries. The Ministry of Trade, Industry and Fisheries are the most important ministry for steering the internationalisation process. Key departments in the ministry are The Trade Policy department with Export Credit Norway, Norwegian Guarantee Institute for Export Credits (GIEK) and the Research and Innovation Department with Innovation Norway under its control.

The system in Norway is like Finland with a highly centralised system, with state owned companies or public bodies having several key responsibilities, such as Innovation Norway being tasked with R&I, export- and tourism promotion similarly to Business Finland. RCN concentrates mainly on technical innovation while Innovation Norway focuses on non-technical innovations such as fishery and industry. The Research Council of Norway, which is the main catalyst for R&D funding reports directly to the Ministry of Education and Research.

The Research Council of Norway has a strategic responsibility for the sector. The Research Council advises the authorities on research and research policy and helps to ensure that research structures and policy tools are coherent. It aims to increase the quality of Norwegian research and is also responsible for research evaluations. The Research Council creates venues where Norwegian researchers can meet, promotes collaboration between research communities and has a national responsibility for research-related communication.

Siva which is a governmental enterprise facilitating national infrastructure for innovation consisting of incubators, business gardens, catapult centres, innovation enterprises, innovation centres and industrial real estate. Siva is part of the business-oriented political apparatus and the state's instrument for facilitating ownership, developing businesses and developing the business and knowledge environment throughout the country, with a special responsibility to

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<sup>43</sup> OECD 2020(b), OECD Tourism Trends and Policies 2020: Norway

promote the growth power of the regions. The main goal of Siva is to trigger profitable business development in enterprises and regional business and knowledge environments.

Through its (1) real estate investments; Siva's goal is to lower the barriers to establishment where market mechanisms make this particularly challenging, including for larger industrial real estate projects and, (2) Siva's innovation activities will facilitate the establishment and development of companies in the business and knowledge environment and link them into regional, national and international networks.<sup>44</sup>

In May 2021 the Norwegian government decided that parts of Siva's operations will be transferred to Innovation Norway. In addition, Siva's ownership of the innovation companies will be transferred to municipalities, county councils or other actors. The change is largely driven from a recent review, which found that the business community perceived the policy instruments, with key players such as Innovation Norway and Siva, as fragmented and not very user-friendly. The government therefore wants to concentrate more of the instruments for innovation and cooperation in one actor. These amendments will take effect in 2022.<sup>45</sup>

As mentioned above, tourism is mainly steered by the Ministry of Trade, Industry and Fisheries, with co-operation with other ministries to co-ordinate policies important for tourism. An example is the co-operation together with the Ministry of Culture to show the increased value creation between the cultural, creative and tourism sectors. Lastly the Ministry of Climate and Environment with its role in developing policies to promote a more sustainable tourism sector. On regional and local level, the authorities are tasked with the planning and setting the regulations in areas such as infrastructure, utilities, national parks, and other local attractions linked to national and cultural heritage.<sup>46</sup>

Outside of Norway, the economic interest of Norway is steered by public bodies and private companies through Team Norway – a network-based collaboration that works to promote Norwegian companies internationally. The purpose is to increase the value creation in the economy through exchange of information, coordination, and coordinated efforts and initiatives. The Team Norway co-operation primarily involves co-operation abroad between the national actors and all actors that promote exports, such as embassies and chambers of commerce.

The stakeholders in Team Norway are the ministries, policy makers, companies, and organisations. Regular meetings are held with representatives from the business and knowledge community through a reference group, where discussion centres around the goals and priorities (Norwegian Ministry of Education and Research, 2015). A concrete example in terms of a meeting could be a discussion where key stakeholders discuss strategies that revolves around a single country, on account of the fact every country has different opportunities that can be brought to Norway.

Team Norway is a link between all the stakeholders that contributes to the promotion of export and internationalisation abroad, which also includes organisations such as Research Council of Norway, which mainly has a role in the financing of research. The regional offices of each

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<sup>44</sup> <https://siva.no/om-siva/>

<sup>45</sup> (Ministry of Trade, Industry and Fisheries, 2021)

<sup>46</sup> Ibid.



organisation regularly participate in workshop together with other organisations where information is shared,

*Table 3.11 Overview of stakeholder and structure in Norway*

Organisation / structure	Type	Key objective's organisation / structure	Flagship programmes / instruments	Available evaluations / studies
The Research Council of Norway	Public body	Stimulating innovation and research through financing	<ul style="list-style-type: none"> <li>Portfolios of 15 different research areas.</li> <li>SkatteFUNN - Tax credit for developing a new and improved product, service or production process.</li> </ul>	Technopolis Group, 2013. Effektmåling av Forskningsrådets støtteordninger for økt deltakelse i EU-finansiert forskning.
Innovation Norway	Public body owned 51% by the state, 49% by the regions.	<ul style="list-style-type: none"> <li>Stimulating innovation</li> <li>Export promotion</li> <li>Tourism Promotion</li> <li>FDI promotion</li> </ul>	<ul style="list-style-type: none"> <li>Innovation loans</li> <li>Start-up loans</li> <li>Advice on export and international markets</li> <li>Financing for international ventures</li> </ul>	Samfunnsøkonomisk analyse, 2019. Evaluering av Innovasjon Norge som en innovasjonspolitisk rådgiver. 06-2019. Samfunnsøkonomisk analyse AS.
SIVA	State owned company	Facilitating ownership, development of businesses and knowledge environments	<ul style="list-style-type: none"> <li>Real estate investments</li> <li>Financing companies in the business &amp; knowledge environment</li> <li>Cluster programme</li> </ul>	Menon, 2015. Evaluering av eiendomsvirksomheten til Siva.
Team Norway	Public bodies/private companies	A network-based collaboration that works to promote Norwegian companies internationally	<ul style="list-style-type: none"> <li>Workshops</li> <li>Meetings with key actors with discussion on strategies</li> </ul>	N/A
Export Credit Norway	Public body	Export promotion through facilitating loans to export ready companies	<ul style="list-style-type: none"> <li>Loans</li> </ul>	Oslo Economics & BDO, 2017. Evaluering av GIEK og Eksportkreditt Norge AS.
GIEK	Public body	Promote Norwegian investments and exports by providing guarantees on international trade.	<ul style="list-style-type: none"> <li>Buyer credit guarantee</li> <li>Supplier credit guarantee</li> </ul>	Oslo Economics & BDO, 2017. Evaluering av GIEK og Eksportkreditt Norge AS.

Organisation / structure	Type	Key objective's organisation / structure	Flagship programmes / instruments	Available evaluations / studies
		As of 2020 is a privately owned by French Coface Group		

### 3.4 In-depth analysis: Export Promotion in Norway

As mentioned above, Norway has a system with few key actors, however, Innovation Norway is one of few with a stake in all areas of internationalisation and entrepreneurship. The following chapter will therefore work around Innovation Norway, the merger that took place in 2004 and their services, mainly concerning their internationalisation strategy.

#### 3.4.1 Merger

In June 2003, the Norwegian government decided to establish Innovation Norway, effective January 2004. Innovation Norway was based on four institutions, the Norwegian Trade Council, the Norwegian Tourist Board, The Norwegian Industrial and Regional Development Fund, and The Government Consultative Office for Inventors.

Innovation Norway was the result of an extensive merger process, in which one of the parties (Norwegian Industrial and Regional Development Fund) was itself the result of an extensive merger. In addition to the fact that the merger itself was extensive, most business-oriented instruments were brought together in one organisation from the time of the merger. The establishment of Innovation Norway was justified by the need for a clearer demarcation between different parts of the business-oriented policy instruments for the overall policy instruments to contribute to increased innovation in the business community throughout the country.

A significant part of the instruments of the predecessors of Innovation Norway had both business policies and regional policy objectives. The government emphasised that Innovation Norway should have an increased focus on innovation in both business and regional policy. The merger was thus set in a clear framework for innovation policy. It was also explicitly pointed out that good framework conditions would contribute to increased innovation in Norwegian business. The business-oriented policy instruments should contribute to triggering specific projects with potential for increased value creation and not compensate for weak profitability.

It was also an objective to make the policy instruments clearer to users. The merger that led to Innovation Norway not only reduced the number of policy actors, but also made it possible to coordinate several types of services and programmes that had previously been dispersed among the four merged organisations. The merger must also be seen in the light of previous reorganisations with similar objectives. The State Enterprise and District Development Fund was established in 1993 by merging, among others, the Industrial Bank, the Industrial Fund and the District Development Fund, and later also the Fishery Bank and the Agricultural Bank.<sup>47</sup>

The board of Innovation Norway noted that the maneuverer room the first year was small due to detailed steering from the ministries, and that balancing between political signals and market needs sometimes were demanding challenges.

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<sup>47</sup> Pöyry, 2010. EVALUERING AV INNOVASJON NORGE. R-2010-054.

The board also complained that it was necessary to downsize in the start-up phase of Innovation Norway. Tight budgets and a certain overlap on the staff side made it necessary to address the staffing situation. Despite a demanding start-up year, Innovation Norway managed to utilize the funds allocated by the authorities and deliver the customer-oriented activities. Customer surveys also confirmed satisfaction with the work performed.<sup>48</sup>

In 2010 an evaluation was carried out, partly due to a public debate about Innovation Norway and if the organisation was giving sufficient priority to innovation. The evaluation showed that the merger was suitable, and that Innovation Norway was operating effectively, although the merger was initially problematic to implement organisationally and due to a public policy debate about overall objectives and actions.

In addition, the evaluation concluded that Innovation Norway was likely to add value in Norway and that the organisation provided financial instruments in a professional and expert manner. However, the evaluation report recommended that the structure of goals/objectives should be improved, and that the overall governance of the organisation should not be as detailed. The evaluation also concluded that a greater proportion of the instruments should support projects with innovation of a national or international nature as a key objective. The evaluation did not find a need to change the organisational structure of Innovation Norway.

To sum up, the evaluation from 2010 concluded that the merger was appropriate, and that Innovation Norway conducted a functioning business, even though the merger was initially problematic to implement organisationally and there was a public debate about overall objectives and efforts.<sup>49</sup>

### 3.4.2 *Export promotion*

Innovation Norway's work on internationalisation and export assistance to industry and commerce is part of their main assignment from the Ministry of Trade, Industry and Fisheries, called the Innovation and Internationalisation Assignment. The purpose of the internationalisation assignment is to stimulate Norwegian enterprises that have high growth potential to seek opportunities outside Norway's national borders. The assignment includes programmes that focus on three main objectives<sup>50</sup>:

- 1) Increased sales in international markets
- 2) More foreign investment
- 3) Increased technological collaboration in industry and commerce and better positioning of Norwegian solutions

Innovation Norway currently offers export assistance to industry and commerce in the form of resources at the international offices, resources at the regional offices in Norway, and specialist functions at the head office in Oslo.

Innovation Norway also has a stake in the funding of innovation projects. There is a strong link between the internationalisation and export assignment with the innovation assignment because customers seeking growth will normally need customers beyond Norway to succeed.

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<sup>48</sup> Innovation Norway, Årsberetning 2004.

<sup>49</sup> Pöyry, 2010. EVALUERING AV INNOVASJON NORGE. R-2010-054.

<sup>50</sup> Norwegian Ministry of Trade, Industry and Fisheries, 2017. Strategy for Export and Internationalisation. Oslo.

Therefore, the whole office structure of Innovation Norway works on the export assignment, where the link between regional offices and international apparatus is key.<sup>51</sup>

The board of Innovation Norway adopted a new strategy for the period 2020-2025. The strategy is based on Norway's need to develop a more versatile and sustainable business community and give Norwegian business and industry a role in solving major societal challenges. Innovation Norway wants to make it easier for more companies to exploit the potential of new technology, export goods and services, and benefit from the EU's new portfolio of innovation instruments. Innovation Norway has developed its role as a sparring partner for the authorities and the business community throughout the country. By using new methods for knowledge acquisition and analysis, Innovation Norway has strengthened their professional advice to owners and clients and simplified and improved the business community's gateway to a unified and coordinated policy apparatus.

As the strategy was adopted the customer-oriented work in Innovation Norway has been organized into three divisions: Business and Social Development, Exports and Growth, and Special Assignments.

#### 3.4.2.1 Services and fees

Innovation Norway operates a range of innovation support measures providing funding and provides service for following sectors (Innovation Norway b, 2021):

- **Start-ups** – Innovation Norway offers start-up advisory, where you discuss your business idea with advisors. Start-ups can also get help on intellectual property rights and lengthy period. The start-ups can also get grants for market clarification, commercialization, or innovation contracts.
- **Export and international markets** – Advice, networks, and expertise to Norwegian companies with the ambition to establish an international presence. They offer services such as advice on internationalization and international markets, collaboration search, and expert technical advice.
- **Innovation and development** – Services for companies with ambitions for further development and growth. Innovation Norway acts as a sparring partner to discuss new business opportunities. They also offer individual advice on innovation processes, business opportunities, market clarification and sustainable development.

Nationwide, Innovation Norway, and their regional offices offers the following courses for companies<sup>52</sup>.

- **Global accelerators** – Helps start-ups and growth companies compete and grow in an international market.
- **Export program Global Growth** – Wide variety of expert programs with the purpose to establish companies to succeed in international markets.
- **International market development** - Two-session workshop where companies aim to land their international business model and market introduction plan.

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<sup>51</sup> Innovation Norway 2020, Stronger, more strategic and closer to the enterprises.

<sup>52</sup> Innovation Norway. 2021. Our services. [online] Available at: <<https://www.innovasjon Norge.no/en/start-page/our-services/>> [Accessed 11 May 2021].

- **Export Seminars** – seminar with an introduction to things that you need to know when exporting.

All these courses are free of charge for Norwegian companies, and the programs/courses are aimed at businesses at different sectors of their internationalisations stage. Most importantly for all these workshops/seminars, is that they cannot compete with private businesses. They offer general tips and the advisors do not act as consultant, but rather facilitate and guide them in the right direction, and the company does the work themselves. Following workshop, international advisors at Innovation Norway are not allowed to write reports for companies, such as market research, this is instead left to the private companies.

During the covid pandemic, they have also offered digital workshops. The main purpose of these workshop is for companies to get an idea of the needs and conditions for international growth. The workshop gives the participants a chance to:

- Identify factors that may affect business models in new markets.
- test markets that may be relevant for their solution.
- develop their business model, including in new markets.
- gain an understanding of your critical success factors for international success.
- plan for the way forward towards market introduction.

The target group for these workshops have been established companies that actively work with or is seeking international growth and market entry within six to twelve months.

Innovation Norway regularly procures external consultants to follow up its promotion efforts through customer satisfaction surveys. Innovation Norway also conducts internal impact assessments of the agency's efforts in collaboration with other actors. The results from an evaluation in 2018 showed a positive increase in companies' revenues, value added and productivity.

### 3.4.2.2 Investments in exports and foreign investment

Table 4 shows the total investment amount for export promotion in Norway. Innovation Norway is the main catalyst for promoting and that is where most of the export promotional funds goes. However, the funds pale in comparison to the investment in GERD which accounts to almost a percentage point of GDP. In total Norway spent EUR27m on export promotion in 2019, which is like Finland, but far behind Denmark and Ireland. The main difference compared to Denmark and Sweden lies in the business sector's own contribution, where Norway lags.

*Table 3.4 Total investment and funding model for exports and foreign investment in Norway*

Country	Public sector funding in EUR millions*	User payment EUR millions*	Total investment EUR millions*	Public sector funding/export value	Percentage of public sector funding	Percentage of user payment
Norway	26,59	5,99	32,59	0.020%	82%	18%

\*All amounts (EUR), resource investments, export values, and exchange rates are from 2019.

### 3.4.2.3 Regional presence

Innovation Norway has eleven offices spread out throughout each region in Norway. Each office houses an international advisor, financial advisor, innovation advisor and a cluster advisor. Usually, companies get in touch with international advisors through networking or through other organisations such as SIVA or Research Council of Norway. Innovation Norway advisors can direct the companies to international advisors if the company is ready for internationalisation.

This requires the advisors/consultants to regularly keep contact with other organisations and have knowledge about other organisations services and how they can help them.

This has in recent strategies been a focus for the Norwegian lawmakers, where the different organisations regularly have workshops and seminars together, to 1) learn from each other, 2) get to know people from other organisations and 3) learn about each other's services to re-direct businesses to other organisations.

Following contact, the international advisor at the regional offices usually has a meeting with the businesses that are directed to them, where the need of the business is discussed, following a presentation of what Innovation Norway can offer in the way of services. Usually, the companies must be mature and have a product ready to receive the support and partake in Innovation Norway's workshops. Once a solution for the company is seen, they are recommended to contact GIEK, to get financial support for their implementation plan.

A recent strategy change within Innovation Norway has seen them shift to the most developed companies for the internationalisation process, which has been implemented to maximise the number of companies that goes through with their program and starts exporting. Companies that initiate contact with an international advisor more than not, gets turned away from their internationalisation's programmes, usually because their product is not ready, or in very early stages of development. This makes it easier for them to focus on the most mature businesses who are 6-12 months away from entering a new market. However, businesses that are not mature for exporting, are not turned away completely, rather, it is expected that the advisors re-direct them to the financial advisors or sometimes to SIVA or RCN to grow their enterprise before being ready for exporting.

### 3.4.2.4 International presence

Internationally Norway has presence in 24 different countries with a total of 29 offices. The offices outside of Europe are in China, Japan, Singapore, South Korea, Vietnam, India, United Arab Emirates, Canada, and United States, where they have 4 offices.

There is a strong focus on the growing Asian market, mainly Southeast Asia. Around half of the offices are in Europe and the other half spread around the rest of the world.

The consultation services offered to companies abroad differs from the services offered nationally. As mentioned earlier, regional offices are not allowed to offer consultation services that can compete with private companies, regardless of if those services are available in the region. This does not apply to the international offices, which has free reign over their structure and the services offered. Each country with an Innovation Norway office, has a combination of:

- market experts
- consultants
- advisors

- tourism advisor

Each office is different in terms of personnel and are built to accommodate Norway's strategy for that country. The services offered to international businesses are free of charge for the first hour, where the needs are identified. Following this, the services offered differs depending on the businesses need, with a combination of workshops and market research. SMEs can get their bespoke and individualized advisory services subsidised up to 50% (applies to hourly costs, not project costs). Innovation Norway international offices also sets up trade fairs, international business events and expertise programmes, which is also subject to payment. Further on, information of general nature, such as basic market information and technical trade advice are free of charge for customers. Table 5 lists the user payments from the international offices, majority of which is brought in through the international business events.<sup>53</sup>

*Table 3.5: User payment 2019 divided into various services.*

<b>User payment 2019</b>	<b>NOK millions</b>
International market advisory services	11.7
International business events	36.7
Global growth programmes	4.1
Global entrepreneurship programs	4.0
Other projects	7.7
<b>Total</b>	<b>64.2</b>

*Source: Innovation Norway (2020)*

Innovation Norway has sent signals that it will charge more for its export services, in 2019 cutbacks were made to reduce the number of small services that were free at the international offices. This has followed the same pattern as in Norway's regional offices, where the resources have been shifted to focus on the "right customers" that have a big chance to be export ready within a year.

As shown in Table 6, a total of 108 staff are employed internationally by Innovation Norway. For the countries, which do not have Innovation Norway offices, the embassies are tasked with helping companies interested in investing in Norway with contacts in Norway. However, the embassies do not offer any consultation or market research.

The development of Innovation Norway's Invest in Norway function is to help put Norway on the map as an attractive country for international investors and entrepreneurs. Invest in Norway was established in 2013. The function handles requests from foreign companies considering locating to Norway and facilitates a more systematic and professional handling of this type of requests. Invest in Norway works with other policy instrument administrators and regional stakeholders and focuses on areas where the function can be causative in the efforts to make value creating, foreign businesses establish themselves in Norway. Invest in Norway has good knowledge and overview of Norwegian industry, research, and business communities/clusters, and offers competence, a broad network, and an extensive range of services. Invest in Norway has created a website with information on its services as well as facts about the Norwegian business community and Norwegian framework conditions.

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<sup>53</sup> Innovation Norway 2020, Stronger, more strategic and closer to the enterprises.



Lastly, Innovation Norway regularly follows up on the standard of service and experienced customer benefit through dialogue with their advisors and through participation in their export-oriented programmes, and in 2017 over 90% of their customers said they would use their services again if they wanted to try and internationalise their company again.

*Table 3.6: International presence and number of employees in Trade Promotion Organisations and Investment Promotion Agencies for Norway<sup>54</sup>*

<b>Country</b>	<b>Number of offices internationally</b>	<b>Number of countries covered</b>	<b>Number of employees internationally</b>	<b>Number of employees regionally/nationally</b>
Norway	29	24	108	43

### 3.5 Conclusions

#### 3.5.1 R&D&I

- Norway has a flexible goal-oriented R&I system, which provides a stable stream of funding while keeping investments open for seizing new opportunities that cannot be forecasted. This creates predictability for the academic community, industry, and the public sector through the stable funding while also being able to quickly respond to new opportunities.
- There is political agreement on the need to develop more knowledge and R&D intensive companies to prepare for “life after oil”. The objective of reaching 1 percent of GDP in public sector spending on R&D can be considered achieved, but still below the overall GERD/GDP target of 3 percent. The commitment from the state to provide funding to meet the target has also put Norway in a situation where almost half of the GERD is financed by the state, although this can also be attributed to Norway having relatively few large companies, which normally undertake the largest investments.

#### 3.5.2 Export and internationalisation

- An evaluation from 2010 concluded that Innovation Norway most likely contributed to added value in Norway and that Innovation Norway provided financial instruments in a professional manner. The evaluation concluded that the merger of several organisations with different objectives in 2004 was suitable, and that Innovation Norway conducted a functioning business, even though the merger was initially problematic organisationally and there was a public debate about overall objectives and efforts.
- The evaluation did not find a need to change the organisational structure of Innovation Norway. However, the evaluation identified a lack in the goal structure within Innovation Norway, a problem still agreed on by the Ministry of Trade today. Nevertheless, the overarching responsibility of Innovation Norway has been met positively by the Ministry of Trade.

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<sup>54</sup> This table is an edited table from Innovation Norway 2020, Stronger, more strategic and closer to the enterprises, page 18

- An advantage with the Norwegian export promotion model is that it is distributed and works close with companies and markets abroad, with access to money and expertise that can be used in the development process.
- The collaboration, spearheaded by Team Norway, provides a foundation for information sharing between organisations where experts on different markets shares strategies for penetrating a market. On regular basis, meetings are set up to discuss a region or even a single country.
- Strategically placed international offices in highly developed countries and growing economies. Also, presence in all Norwegian regions, which makes it easier for export ready companies to partake in the services offered.
- Very high satisfaction among the clients using Innovation Norway's services in their international offices.
- Big maritime industry, mainly oil and gas has created technological advantage further down in the value chain that can be applied to other sectors.
- Export promotion has been largely supply-driven but will probably be supplemented with strategy/instruments that contribute to more demand-driven modus operandi; to identify and manage new market opportunities.
- As a small country, Norway tries to focus on certain markets and adapt the business support system's expertise and networks to the business sector's changing needs, and to market opportunities that open internationally.
- Challenges for the future is diversifying exports, by transitioning away from oil and gas.

**Note:** The in-depth analysis of collaboration with local level and overseas offices in Norway was prepared with the kind support of representative from the Trade Policy department and Innovation Norway who dedicated their time and agreed to have in-depth interview with the study team. Findings and insights gathered through the interview are reflected in multiple places throughout the analysis. The identity of the respondent may be disclosed upon individual request.

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## 4 Sweden

### 4.1 Short overview of the country

Table 1 illustrates key statistical figures for Sweden compared to Finland. Share of GERD financed by government and Share of GERD financed by the rest of the world are the two statistics which Finland have relatively higher, for the rest Sweden has higher. The R&D expenditure in Sweden has remained stagnant for the last couple of years. (OECD, 2020a) Globally Sweden remarks itself in their R&D investment as a share of GDP, reaching the EU goal before it was set.

Table 4.12 Data overview of Sweden

Indicator	Sweden	Finland
GDP per capita PPP	55 820	51 414
GERD/GDP	3.3%	2.8%
Share of GERD financed by businesses	60.8%	54.3%
Share of GERD financed by government	25%	27.8%
Share of GERD financed by rest of the world	10.1%	15.5%
High medium tech exports	59.7%	48.5%
Inward FDI as a share of GDP	59%	31%
Direct government funding of BERD	4.7%	2.8%
R&D tax subsidy as a share of BERD (Indirect funding)	0.55%	0%

Source: OECD Main Economic Indicators & Main Science and Technology Indicators. Latest data years 2018-2019, OECD FDI in figures 10/2020

Table 2 illustrates main export goods and markets for Sweden. Sweden is a small and export-oriented economy with strong political and economic (trade) ties to its fellow Nordic countries, to continental Europe, to North America, and several countries and regions in the Third World (Hallonsten & Slavcheva, 2017). The strong knowledge-based economy is well integrated in global value chains. Growth has been broad-based over the past five years, with consumption, investment and exports all contributing significantly (OECD, 2020). Sweden is, according to the European Innovation Scoreboard, an Innovation Leader with innovation performance well above the EU average (OECD, 2020c). Nordic countries accounted for 25.6% of the Swedish exports 2020 (Iceland 0.3%). Biggest share of exports come from vehicles; however, Sweden has a highly diversified export portfolio with 24 different commodity groups with a larger than 1% of the exports.

Table 4.13 Main export goods and markets for Sweden

Main export goods		Main export markets	
Road Vehicles (Incl. Air Cushion Vehicle.)	13.4%	Norway	10.7%
Medicinal and Pharmaceutical Products	8.1%	Germany	10.6%
General Industrial Machinery And Equipment, N.E.S	6.1%	United States	8.4%

Paper and Paperboard; Articles Thereof	5.6%	Denmark	7.6%
Telecommunications, sound recording and reproducing apparatus.	4.8%	Finland	7%

Source: Statistics Sweden 2020

#### 4.1.1 State of play of policy landscape

Because of a changing global environment with increasing elements of protectionism and nationalism, as well as increased insights in the climate challenges, the Swedish government launched a new export and investment strategy in 2019. The new strategy has a clear focus on sustainability where all planned efforts are put in relation to Agenda 2030. The strategy shall furthermore contribute to the creation of more jobs and increased economic growth in the country. The strategy includes five strategic goals: 1) Sweden's export shall increase; 2) more SMEs shall export; 3) Sweden shall be a driving force for a free, sustainable, and just international trade; 4) Sweden's innovation leadership shall be used to strengthen enterprises' export capacity and international competitiveness; and 5) Sweden's attractiveness for FDI, competence, talent, and visitors shall increase.

Sweden is one of few and the first country in EU as of 2019 to reach the R&D intensity goal set for 2030, followed by Austria and Germany.

In 2020 the Swedish government presented the new Research Bill for 2021-2024, *Research, freedom, future - knowledge and innovation for Sweden*. In the bill, which sets out the direction of policy for the next four years, the focus is on five societal challenges: climate and environment, health and welfare, digitalisation, skills supply, and democracy. Within these five societal challenges, several ten-year national research programmes are created in the areas of: ocean and water; virus and pandemics; psychic health; digitalisation, and crime and segregation. To strengthen and clarify the role of the higher education institutions in collaboration, internationalisation and lifelong learning as well as promote and protect the academic freedom some changes to the Higher Education Act were presented. Some criticism has been pointed towards the government's detail management of higher education institutes (Stockholm University, 2021).

In terms of tourism, the government in 2019, presented for the first time a national strategy for sustainable tourism and hospitality industry that will run until 2030 and will promote sustainable tourism development and provide a platform to implement actions that meets both national and global challenges. The main issues facing the long-term plan concern the connectivity and transportation, small enterprise profitability, seasonality, and sustainability among other things. (OECD, 2020d) With the strategy, the government hopes to create long-term conditions for a growing hospitality industry (Näringsdepartementet, 2019).

Even though the Swedish system for R&D&I, FDI attraction, export promotion and tourism promotion are separate systems scattered across many different actors there are still some good examples of how organisations have implemented the policies into their operations. A good example of this is Vinnova's programme Challenge-Driven Innovation where applicants need to clarify how their project will contribute to achieving at least one of the SDG's. Another programme to increase the Swedish competitiveness in a new actor driven bottom-up approach are the 17 strategic innovation programmes started by three agencies in collaboration. These were not however, created to tackle societal challenges but do contribute to a more sustainable society.

To summarise, recent policy trends in Sweden are adapting to the third generation of innovation policy in the form of addressing Agenda 2030 and SDGs. The new policies launched in the last couple of years all have goals of tackling societal challenges with sustainability being the most distinct challenge.

## 4.2 Overview of stakeholders, structures, and strategy

Sweden is a small open economy, that relies on exports. Historically, exports have been dominated by large corporations. Like in most of European countries, small to medium sized enterprise (SMEs) make up over 99% of the companies. However, only 6.2% of the Swedish SMEs have an international presence through exports in 2016. This is significantly lower than Netherlands (9.6%) and Denmark (9.8%) and at similar levels to Finland (Tillväxtanalys, 2020). Sweden have implemented several strategies to catch up and increase the internationalisation of domestic companies, by among other things, improving the collaboration between organisations and making information regarding export possibilities easier to find.

### 4.2.1 Overall governance and steering of the system

The Swedish system for R&D&I, FDI attraction, export promotion and tourism promotion are divided between many different actors with their own specific objectives. In Sweden, the Ministry of Foreign Affairs is the ministry within the Government Secretariat that is primarily responsible for export promotion.

As mentioned above, Sweden have tried to increase the share of SMEs that do business abroad. A reason for the low share of companies taking part of the international market could be explained by high barriers of entry with the lack of information and contacts, cultural and language barriers, and high costs. Team Sweden and regional export centres was set up in 2015 in large part for these reasons. Like Team Finland, Team Sweden is an 'umbrella network' for relevant departments, authorities, organisations, and publicly owned companies – with the purpose of supporting the export and internationalisation of companies. Team Sweden is led by the state secretary and organises recurrent meetings with representatives from trade & industry to discuss the implementation of the Swedish export strategy. Further on, Team Sweden together with export promotion organisations have set up local circuits in embassies to help bring contacts to Swedish companies (Tillväxtanalys, 2020).

To complement Team Sweden, regional export centres act as an information hub for companies across Sweden by having a centre in every county in Sweden. Regional export centres were one of the most comprehensive measures in the 2014 export strategy, providing a 'doorway' to advice and financial support to help SMEs grow. Tillväxtverket was given the government's mandate to coordinate the establishment of regional export centres. Operations began with six pilot centres in 2016 in six counties. By 2018 all counties in Sweden had one export centre.

According to the government, one reason for the measure was that many small and medium-sized enterprises experienced difficulties in finding their way among the various public actors providing support to companies in business development and internationalisation. Furthermore, according to the government saw shortcomings in the coordination between government actors in the field. There were also regional differences in terms of which state actors were represented.

Regional export centres were therefore to be set up on a "one door in" basis to export information. This means that in each region there should be one entry point to with the concrete aim of putting each company in touch with the right person in the right organisation

within 24 hours. The regional export centres have been complemented by the development of the [verksam.se](https://www.verksam.se) website with the aim that this will be the clear entry point for companies seeking export support. The regional export centres have also built on existing structures. (Riksrevisionen, 2019).

The regional export centres are led by Tillväxtverket in coordination with Almi, Business Sweden, Enterprise Europe Network and The Swedish Export Credit Agency. The work with regional export cooperation is set up according to each region's prerequisites, which also means, each region will have a unique set-up and strategies.

Regional export centres are one of the most comprehensive measures in the export strategy in terms of actors and measures involved. In monetary terms however, the measure is not a major item in the central government budget. The actions cover only small parts of the organisation's activities, where funding has already been allocated ([Tillväxtverket.se](https://www.tillvaxtverket.se)). The export promotional agency with the biggest regional presence in Sweden is Almi, with offices in 37 places. Almis operation builds on having a big regional presence and that the regions are partners in Almis subsidiaries. Business Sweden has regional export consultants in 21 cities in Sweden, often co-located with Almi. Other export promotion agencies with offices around Sweden is Swedish Agency for Economic and Regional Growth in nine, The Swedish Export Credit Agency in four and the Swedish Energy Agency in two different places. (Tillväxtanalys, 2020).

Table 3 presents a non-exhaustive overview of stakeholders and structures in the Swedish system, within the area of R&D&I, export promotion and tourism. Within R&D&I there are several actors which focuses on different aspects of the area, such as the Swedish Energy Agency focusing on R&D&I in the energy sector, Vinnova focusing on innovation, the Swedish Research Council focusing on excellence of science etc. This is replicated in other areas such as with export promotion, where Business Sweden focus on export promotion and helping Swedish companies with market entry. Further evidence of the level of decentralisation is with the export guarantees and loan, with two different state-owned companies providing loans, Almi Invest to SMEs and Swedish Export Credit Corporation for big companies. To complement them the the Swedish Export Credit Agency provides credit guarantees for companies not being paid while doing business outside Swedish territory. (Tillväxtanalys, 2020).

There are several qualitative and quantitative evaluations of export promotion in Sweden. Most quantitative impact evaluations have been carried out by the export promotion actors. However, Tillväxtverkets impact assessment of state-funded export promotion programs aimed at small and medium-sized enterprises concluded that firms that receive support from export promotion agencies are more likely to export, and that firms that already export record higher export volumes after the treatment. The Evaluation showed no significant effects for companies that perform better than average. Combining different programs gives the best result but positive effects are limited to companies that export less than expected at the outset, i.e., companies that have all attributes to become successful exporters with the right support. (Tillväxtverket, 2020)

VisitSweden is the only tourism promotional agency, and the Swedish Agency for Economic and Regional Growth (Tillväxtverket) provides statistics and develops tourism at national level. Tillväxtverkets development centres around implementing and supporting knowledge-based initiatives to promote tourism development, entrepreneurship, and SMEs competitiveness. Furthermore, Tillväxtverket supports regions in their work to develop and implement action plans for sustainable regional development. This level of specialisation is uncommon in comparison to other Nordic countries, with organisations having an overarching responsibility over several



areas, such as Innovation Norway. In Sweden, each organisation is set up to mainly focus on their expertise area (OECD, 2020d).

*Table 4.14 Overview of stakeholder and structure in Sweden*

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
Vinnova	Public body	Stimulating innovation	<ul style="list-style-type: none"> <li>Strategic Innovation Programmes</li> <li>Challenge-Driven Innovation</li> <li>Research and innovation funding</li> </ul>	<ul style="list-style-type: none"> <li>Åström, T., Arnold, E., "Utvärdering av strategiska innovationsprogram efter sex år": 2019</li> <li>Åström, T., Arnold, E., Olsson, J., "Metautvärdering av andra omgången strategiska innovationsprogram efter sex år", 2020</li> </ul>
Swedish Energy Agency	Public body	<ul style="list-style-type: none"> <li>Improving energy efficiency</li> <li>Stimulating Innovation</li> <li>Supporting the society's climate conversion</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Innovation Programme</li> <li>Business development</li> <li>Internationalisation</li> </ul>	<ul style="list-style-type: none"> <li>Eriksson Berggren, S., Lindström, M., Ryd, J., Uhrwing, M., Åström, T., &amp; Fängström, T., "Utvärdering av Energimyndighetens satsningar för affärsutveckling och kommersialisering", 2020</li> </ul>
Swedish Export Credit Corporation	State owned company	<ul style="list-style-type: none"> <li>Investor</li> <li>Targeted to big companies</li> </ul>	<ul style="list-style-type: none"> <li>Loans</li> <li>Venture capital</li> </ul>	<ul style="list-style-type: none"> <li>"Utvärdering av regeringens åtgärder till stöd för kreditförsörjningen", The Swedish National Debt Office, 2010</li> </ul>
Almi Invest	State owned company	<ul style="list-style-type: none"> <li>Investor</li> <li>Targeted at small to medium enterprises</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Business development</li> <li>Loans</li> <li>Venture capital</li> </ul>	<ul style="list-style-type: none"> <li>"Hjälper Almis företagslån företag att växa?", Tillväxtanalys, 2018</li> <li>"Utvärdering av regeringens åtgärder till stöd för kreditförsörjningen", The Swedish National Debt Office, 2010</li> </ul>
Swedish Research Council	Public body	Research funder	<ul style="list-style-type: none"> <li>Promoting excellence in science</li> </ul>	"Metoder för att analysera samverkan och samhällspåverkan – en introduktion till fallstudier", Swedish Research Council, 2020
Team Sweden	Network	Promoting export	<ul style="list-style-type: none"> <li>Exchange experiences</li> <li>Identify Swedish solutions and systems to promote internationally</li> </ul>	Not available

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
			<ul style="list-style-type: none"> <li>• Recommend and coordinate particular efforts</li> <li>• Keep a continuous dialogue with trade and industry</li> </ul>	
Business Sweden	State and industry owned organisation	Promoting export FDI attraction	<ul style="list-style-type: none"> <li>• Market expansion</li> <li>• Sales acceleration</li> <li>• Business to government</li> <li>• Business incubation &amp; Operations</li> <li>• Programme for start-ups and SMEs</li> </ul>	Not available
Visit Sweden	State and industry owned organisation	Promoting tourism	<ul style="list-style-type: none"> <li>• Marketing Sweden</li> <li>• Providing information for visitors</li> </ul>	Not available
The Swedish Export Credit Agency	Public body	Promoting export and internationalisation of companies	<ul style="list-style-type: none"> <li>• Insurance against companies not getting paid while doing business abroad</li> </ul>	"Ett exportfinansieringssystem som bidrar till klimatomställningen", Exportkreditnämnden, 2020
Swedish Agency for Economic and Regional Growth	Public body	Responsible for development of knowledge, quality, and collaboration in tourism Strengthening Swedish competitiveness	<ul style="list-style-type: none"> <li>• Calls</li> <li>• Guiding</li> <li>• Publications</li> <li>• Services for companies</li> </ul>	Many studies and evaluations, available at: <a href="https://tillvaxtverket.se/vara-tjanster/publikationer.html">https://tillvaxtverket.se/vara-tjanster/publikationer.html</a>

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#### 4.2.2 Consulting services

Business Sweden, Tillväxtverket and Almi provide both free, subsidized, and paid consulting. Tillväxtverket provides the basic guidance free of charge for SMEs. Business Sweden's and Almi's consulting services range from basic guidance for Swedish companies, which are free of charge, to customised service abroad, which are subject to fee, however, the fees are subsidized for small companies. The range of services are extensive, and therefore not listed.

### 4.3 Conclusions

- Diverse export goods and markets
- The business sector in Sweden is highly involved in R&D, providing over 60 % of the Swedish GERD. In turn, Sweden ranks among the highest in the world in terms of R&D intensity.
- Recent policy trends in Sweden are adapting to the third generation of innovation policy in the form of addressing Agenda 2030 and SDGs. The new policies launched in the last couple of years all have goals of tackling societal challenges with sustainability being the most distinct challenge.

- Impact assessment of state-funded export promotion programs aimed at small and medium-sized enterprises concluded that firms that receive support from export promotion agencies are more likely to export, and that firms that already export record higher export volumes after the treatment.
- Strong regional presence with all export promotional agencies.
- New efforts to improve the cooperation across the organisations with efforts such as export centres, mainly to make it easier for SMEs to find quick help for their internationalisation process.

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<https://tillvaxtverket.se/amnesomraden/affarsutveckling/internationalisering/regional-exportsamverkan.html>

## 5 The Netherlands

### 5.1 Short overview of the country

The Netherlands show similar statistics to Finland when it comes to investments in R&D. However, there are some notable differences. In terms of R&D expenditure, the Netherlands is still significantly below the European target of 3% of GDP. The Dutch economy is very open and has diversified export. Important for the Netherlands is that their export figures are very inflated as more than half of the export is re-export (imported first).<sup>55</sup> Furthermore, the Netherlands falls into the small category of countries who has managed to attract more FDI than their GDP. The tax landscape in the Netherlands is very favourable in attracting foreign companies, which is also shown by the R&D tax subsidies. Table 1 provides an overview of the key statistics in comparison to Finland.

*Table 5.15 Data overview of Netherlands*

Indicator <sup>56</sup>	Netherlands	Finland
GDP per capita (USD, PPP) <sup>57</sup>	59 554	51 414
GERD/GDP	2,2%	2,8%
Share of GERD financed by businesses	56,7%	54,3%
Share of GERD financed by government	29,6%	27,8%
Share of GERD financed by rest of the world	11,2%	15,5%
High medium tech exports	55,6%	48,5%
Inward FDI as a share of GDP	219%	31%
Direct government funding of BERD	6,4%	2,8%
R&D tax subsidy as a share of BERD (Indirect funding)	9,7%	0%

Source: OECD Main Economic Indicators & Main Science and Technology Indicators. Latest data years 2017-2018, OECD FDI in figures 10/2020

The Netherlands is strongly dependent on international trade. In 2019, the country was the world's number 7 in total exports of goods. As mentioned, more than half of the export concerns good that were imported first, thus re-export. Recent reports show that 69% of total imports is used towards goods and service exports.<sup>55</sup> Table 2 provides an overview of the main export goods and markets of the Netherlands in absolute terms, but this includes re-export.

<sup>55</sup> CBS (2020), Dutch Trade in Facts and Figures Exports, investment and employment 2020

<sup>56</sup> OECD (2020), Main Science and Technology Indicators, Volume 2020 Issue 1, OECD Publishing, Paris, <https://doi.org/10.1787/e3c3bda6-en>

<sup>57</sup> World Development Indicators database, World Bank

The added value of export accounts for more than 30% of the Dutch GDP. Overall, the service industry earns the most revenue from export (>60%), while in absolute terms the Netherlands earns most from exports through the manufacturing industry. The Netherlands is, however, most known for its agriculture and food exports, being the the world's second largest exporter. Furthermore, the Netherlands is very strongly connected in international value chains as a large proportion of its exports are intermediate products. For the chemical industry nearly 90% of exports consisted of intermediate goods such as medical and pharmaceutical goods, hydrocarbons and plastics. The Netherlands' main export markets lie within Europe, with more than 75% of its exports going to other European countries. The biggest export markets are Germany (22,1%), Belgium (10,3%) and the France (7,7%).

Table 5.16 Main export goods and markets for Netherlands<sup>58</sup>

Main export goods		Main export markets	
Petroleum, petroleum products and related materials	7,6%	Germany	22,1%
Medicinal and pharmaceutical products	6,4%	Belgium	10,3%
Electric machinery	6,3%	France	7,7%
Machinery specialized for particular industries	5,1%	United Kingdom	7,2%
Telecommunications and sound-recording and reproducing apparatus and equipment	5,0%	United States	5,0%

Source: CBS, 2021

## 5.2 State of play of policy landscape

The company policy of the Netherlands aims for **global excellency**: to be amongst the top 5 knowledge economies in the world.<sup>59</sup> Key strategic goals revolve around stimulating innovation, strengthening the ability of companies to grow and adapt (especially for SMEs), to develop and utilise high quality publicly financed research & technology as well as to guarantee good framework conditions for entrepreneurship and innovation. In recent years, the **importance of addressing societal challenges** has increased in Dutch R&D&I policy. The societal missions, as they are called, are now centrally positioned in the policy and revolve mainly around four themes: 1) Energy transition and sustainability, 2) Agriculture, water and food, 3) Health and healthcare, and 4) Safety. To accomplish its objectives, the Dutch government has implemented policy instruments along three complementary trajectories:

<sup>58</sup> CBS (2021). International trade; import and export value, SITC. Available at:

<https://opendata.cbs.nl/statline/#/CBS/en/dataset/83926ENG/table?dl=4F841>

<sup>59</sup> [https://www.rijksbegroting.nl/2019/verantwoording/jaarverslag,kst278863\\_11.html](https://www.rijksbegroting.nl/2019/verantwoording/jaarverslag,kst278863_11.html)

- **Generic company policy**, mostly consisting of fiscal instruments for small and innovative businesses (e.g. the WBSO, tax credit for research and development, and the Innovation box). These fiscal instruments are the largest financial instruments of the Netherlands.
- **Specific company policy**, mostly consisting of smaller targeted policies and instruments to address specific market failures. Key examples are instruments for innovation activities of specific target groups (SMEs, high risk innovators, PPPs, etc.), access to high risk capital, digitalisation and internationalisation.
- **Creation of Public Private Partnerships (PPPs)**, the mission driven Top sectors. The policy aims to increase the economic benefits of solving societal challenges by stimulating collaboration among businesses, knowledge institutes, government and societal partners (incl. citizens) in nine Top sectors. Through the policy the government supports innovation, technology development, valorisation, market creation, and internationalisation.

Compared to other countries, the design of the Dutch R&D&I policy is quite **generic** (serving all companies rather than specific companies in certain sectors).<sup>60</sup> Although the collaboration structures are targeted through the nine Top sector PPPs, the largest policy instruments are generic fiscal measures that are available to all companies. In practice this means that both the targeted Top sector PPPs as well as other companies can use the fiscal instruments. This results in a balanced policy mix where the **interaction between the various policies** is a key strength in the Dutch policy design.

With the introduction of the **mission driven approach**, the balance between top-down (mission driven) and bottom-up policies (generic) has changed, and the R&D&I policy landscape has become increasingly complicated. These developments pose multiple challenges for the Dutch government, for instance on how it can take a more steering role, while leaving sufficient room for bottom-up solutions by businesses and knowledge institutions. In addition, questions arise about the balance between national and regional policies: How can these be aligned efficiently for addressing societal challenges?<sup>61</sup> Regarding FDI and tourism promotion, strong emphasis is also put on **the regions** through networks of both national and regional partners.<sup>62,63</sup>

Another development in the Dutch R&D&I policy landscape is the **increasing international collaboration**, which is for a large part driven by increased European R&D funding (e.g. the Horizon Europe programme). Dutch businesses and knowledge institutions are incentivised to participate in these collaborations, as it gives them access to new knowledge sources, new trade and investment streams, and creates new opportunities to connect with innovation partners globally and to participate in new international networks.<sup>64</sup> For instance, the Netherlands Enterprise Agency (RVO) offers supporting services such as training and partner search to stimulate participation of Dutch companies in the Horizon programme.<sup>65</sup>

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<sup>60</sup> Rijksoverheid (2020). *Innovatieve samenleving – Brede maatschappelijke heroverweging*

<sup>61</sup> Technopolis Group. (2021) Beleidsverkenning MIT 2021 (*not public yet at the time of writing*)

<sup>62</sup> MIR, SEOR, ESE and KU Leuven. (2020). *Evaluatie van de NFIA 2010-2018*.

<sup>63</sup> Dialogic. (2019). *Evaluatie NBTC 2016 – 2018*.

<sup>64</sup> Adviesrapport DTIB Stuurgroep internationale handels-, innovatie- en investeringsbevordering (2017). *Team Nederland: Samen sterker in de wereld, een actieplan voor banen en groei*.

<sup>65</sup> RVO. (2018). *Hoe kunnen wij u helpen in Horizon 2020*. Accessible via: <https://www.rvo.nl/subsidies-regelingen/hoe-kunnen-wij-u-helpen-horizon-2020>

Consequently, Dutch businesses and knowledge institutes have a high participation rate in European Framework Programmes and international collaboration networks.<sup>66</sup>

The Netherlands has historically been **a strong export country**, partly due to its relatively small size, its geographical position at sea that opens up the economy towards the UK and non-EU trade as well as the internal river structures leading to large markets like Germany. Furthermore, the Netherlands has a strong trade culture, the Dutch even have an old slogan "Netherlands trading country" (in Dutch: "*Nederland handelsland*"). While the Netherlands does have export policies, the Dutch government has the biggest role when (market) failures are identified. Given the relatively strong export position and culture the policy intervention therefore focus on aspects like small companies, networking and international R&D activities.

Over the last few years, policy approaches such as the Top sectors policy have become increasingly oriented on strengthening the international position of the Netherlands in the world.<sup>67</sup> This increased the importance of **export oriented policy**. To support this shift, services have been set up to support businesses in entering foreign markets. These services are provided through a network of national and regional agencies, dedicated departments at embassies and consulates, and Innovation Attachés, see section 1.3 for details on these stakeholders. The national and regional agencies provide baseline services that are seen in many countries, like foreign missions, export advice, and European services like the Enterprise Europe Network. The embassies support businesses abroad through various activities such as information provision, brokering with local contacts and the local authorities. Specifically, the Innovation Attachés – 16 in total – support the Dutch Top sectors and its businesses with their international R&D- and innovation ambitions. To further improve the international position of Dutch businesses, the country's export policy has focused on improvement in the following three areas:<sup>67</sup>

- More visibility of support and easy access to information by increasing collaboration between organisations such as business associations and the regional governments;
- Extension of support through the Starters International Business (SIB) instrument, which provides advisory services on doing business abroad for SMEs; and
- Strengthening support by offering a one-time reduced tariff to participate in economic missions abroad, and providing relevant information by the Innovation Attachés abroad.

The increased orientation towards export promotion is reflected in the updated Top sector business plans which increasingly focus R&D ambitions on strengthening the international position of the sectors.<sup>68</sup>

### 5.3 Overview of stakeholders, structures, and strategy

The Dutch research and innovation landscape can be characterised by highly developed **collaboration structures** (PPPs) and **a high level of stakeholder involvement** ("polder" culture).<sup>69</sup> These collaborations are organised along multiple compact research- and innovation

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<sup>66</sup> OESO (2014). *OECD review of Innovation Policy: the Netherlands*

<sup>67</sup> Ministry of EZK. (2014). *Hulp, handel en investeringen; Brief regering; Aanbieding brief "Versterking van de economische dienstverlening aan het Nederlandse bedrijfsleven wereldwijd"*

<sup>68</sup> VNO-NCW. (n.d.). *Samenvatting businessplannen topsectoren 2025*.

<sup>69</sup> Van Dijck, J. & W. van Saarloos (2017). *Wetenschap in Nederland: waar een klein land groot in is en moet blijven*. KNAW.



ecosystems that connect different regions. Its existence has resulted in a growing number of collaborations between knowledge institutions, businesses and societal partners (e.g. in the form of living labs, campuses and centres of expertise).<sup>70</sup>

### 5.3.1 Overall governance and organisation

The Dutch Top sectors are a key component to facilitate collaboration between public organisations and businesses. In addition, the network of dedicated embassy departments and Innovation Attachés support the Top sectors and individual businesses abroad. The Ministry of Economic Affairs and Climate Policy (EZK) and the Ministry of Foreign Affairs coordinate the (international) Top sectors Policy. The dedicated coordinators of both ministries interact closely with other government departments, representatives of the individual Top sectors and with business representative organisation VNO-NCW for cross-sectoral matters. In its role as largest employers' organisation of the Netherlands, VNO-NCW represents large businesses and SMEs across all sectors. The organisation has an influential role in decision-making of the government on topics that affect businesses. It also offers a range of services to its members such as information provision on a variety of topics (e.g. financial, economic and fiscal) relating to business and industry.

Regarding international activities, each Top sector has a point of contact at the Ministry of Foreign Affairs who facilitates collaboration between the government, the Top sector and the Innovation Attachés abroad. Furthermore, to stimulate international collaboration in the field of trade and innovation, the International Strategic Board has been established in 2017. The platform facilitates close collaboration between departments, knowledge institutes and businesses, in order to strengthen the knowledge position, innovative capacity and international position of the Netherlands. Among others, representatives of the ministries of EZK and Foreign Affairs, the Top sectors, VNO-NCW, the Dutch regions, RVO and the NFIA are part of the platform.<sup>71</sup>

**Three national executive agencies** play a key role in supporting Dutch ecosystems and its businesses, among others, by acting as a facilitator of collaboration, providing advisory services and funding (see Table 3):

- RVO (innovation and trade)
- NFIA (foreign direct investment)
- NBTC (tourism)

**RVO is the key public executive agency to promote innovation and export** by supporting Dutch businesses in the Netherlands and abroad. It does so by, among others, executing innovation programmes, supporting European subsidy applications and international (innovation) networks and organising trade missions. RVO is in charge of executing the Top sectors policy and the Dutch export policy. The agency is the first point of contact for businesses for matters related to, among others, financial support (subsidies, advise) and activities abroad (contact with Innovation Attachés and legal matters). RVO is closely connected to the Dutch regions through the **region-liaisons**, who are accessible to regional businesses and authorities for any relevant matter. In total, 5 liaisons are employed at RVO who are each responsible for one

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<sup>70</sup> Koens, L., A. Vennekens, R. Hofman, N. van den Broek-Honingh & J. de Jonge (2018). *Balans van de wetenschap 2018*. Rathenau Instituut.

<sup>71</sup> Rijksoverheid (2019). Public budget 2019: Bedrijvenbeleid: innovatie en duurzaam ondernemen

region in the Netherlands.<sup>72</sup> At the regional level, RVO works closely with the **Chamber of Commerce** which is the physical point of access where regional businesses can go to for primary services. These services are also offered through one central online portal – the ‘Digital Business Square’ (in Dutch: “*Digitale Ondernemersplein*”). The portal contains all relevant information for businesses, such as information about subsidies, financial instruments and starting a business. The platform is a collaboration between, among others, the Ministry of EZK, RVO, the Chamber of Commerce and the organisation of Dutch Municipalities (VNG).<sup>73</sup>

An evaluation carried out in 2019 of RVO's efforts on economic diplomacy showed that efforts led to an increase in companies' exports. On the other hand, the results showed that the positive effects of the efforts are largely limited to existing exporters, who both expand their exports to existing markets and enter new markets. The results also showed that the efforts only reach a limited group of companies where some do not seem to need support.<sup>74</sup>

Regarding the promotion of FDI, the **NFIA aims to attract foreign investments** by promoting acquisition of foreign businesses. It works closely with the Top sectors, regional partners and local public-private partnerships, shaping an ecosystem of organisations (Invest in Holland Network) to attract foreign companies in a number of key sectors<sup>75</sup> and thereby strengthen the ecosystems of these sectors (e.g. clusters of chemical industry and IT businesses).

Finally, the **NBTC aims to promote tourism and business trips in the Netherlands** by connecting public and private partners across the country at different scales (local, regional, national).<sup>76</sup> The NBTC and NFIA work together closely when it comes to aspects like the image and marketing of the Netherlands – this is also linked to the Top sectors for instance.

### 5.3.2 Role of paid services

Most services offered by the Dutch public agencies is free of charge, with a clear exception for practical costs for foreign missions (travel, etc.). The rationale is that the Dutch government should offer easily accessible basic services for SMEs, while not competing with market parties. This means that more tailored services based on specific businesses' needs are left to market parties.<sup>77</sup>

**Table 5.17** Overview of stakeholder and structure in the Netherlands

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
RVO	Public body	Stimulating innovation	Fiscal instruments (WBSO)	Evaluations of all key instruments, like:

<sup>72</sup> See <https://www.rvo.nl/gemeenten-provincies-en-waterschappen/regio-liaisons>

<sup>73</sup> Accessible via: <https://ondernemersplein.kvk.nl/>

<sup>74</sup> Ministerie van Buitenlandse Zaken. (2019). *Smalle marges van economische diplomatie*. ‘What you see is not always what you get’. Effectevaluatie economische diplomatie 2010-2018. Haag: Ministerie van Buitenlandse Zaken.

<sup>75</sup> These include Chemistry, Agri-food, High-Tech Systems and Materials, Life Sciences and Health, IT and logistics.

<sup>76</sup> Dialogic (2019). *Evaluatie NBTC 2016 – 2018*.

<sup>77</sup> Ministry of EZK. (2014). *Hulp, handel en investeringen; Brief regering; Aanbieding brief "Versterking van de economische dienstverlening aan het Nederlandse bedrijfsleven wereldwijd"*

Organisation / structure	Type	Key objectives organisation / structure	Flagship programmes / instruments	Available evaluations / studies
			Innovation instruments (MIT, innovation credit, etc.) PPP allowance Export advisory services Export funds (DTIF, DGGF) International network of Dutch innovation attachés Region-liasons Online information platform (Ondernemersplein)	<ul style="list-style-type: none"> <li>• Evaluation MIT 2013-2016</li> <li>• Interim-evaluation PPP allowance 2016</li> <li>• Evaluation WBSO 2011-2017</li> <li>• Etc.</li> </ul>
NFIA	Public body	Attracting foreign investments	Invest in Holland Network Expat centres Investor relations programme	Evaluation of the NFIA 2010-2018
NBTC	Foundation	Promoting tourism	Holland Marketing Council	Evaluation of NBTC 2016-2018
Top sectors (9 in total)	PPPs	Public-private collaboration Agenda setting Coordination	Sector strategy Knowledge & innovation agenda's HC agenda Export strategy	Evaluation of the Top sector approach (2017), background study per top sector available
International Strategic Board	PPP	Strengthening innovative capacity Strengthening international position	Internationalisation strategy	-

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## 5.4 Conclusions

The Netherlands is a strong performer on international level concerning innovation and internationalisation. This shows the strength of the applied policy mix, the public institutions as well as the favourable framework conditions and supportive business environment. The Netherlands has a **combination of strong collaboration platforms (Top sectors)** with more traditional generic and targeted **company policies**, especially now that they attention has shifted towards **addressing the societal challenges**. The interactions with key public organisations that support internationalisation are interesting due to **the network of Dutch innovation attachés** and the **dedicated organisations for attracting FDI and tourism** that works closely with the regions.