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European Union  
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UpGradeSME  
Interreg Europe

UpGrade SME Action Plan  
Fomento de San Sebastian



DONOSTIA  
SAN SEBASTIÁN  
Alkateordetza  
Tenencia de Alcaldía

**donostia**sustapena  
fomento**sansebastián**

DESARROLLO ECONÓMICO DE SAN SEBASTIÁN  
DONOSTIAKO GARAPEN EKONOMIKOA  
SAN SEBASTIAN ECONOMIC DEVELOPMENT



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## The Action Plan

### General information

Project: **UpGradeSME**  
 Partner organisation **Fomento de San Sebastian**  
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 NUTS2 region: ES21 Basque Country  
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The Action Plan aims to impact:	<input checked="" type="checkbox"/>	Investment for Growth and Jobs programme
	<input type="checkbox"/>	European Territorial Cooperation programme
	<input checked="" type="checkbox"/>	Other regional development policy instrument

#### Name of the policy instrument addressed:

Support to the SMEs capacity to grow in regional, national and international markets, as well as in the innovation processes. Measure 3.4 of the Basque Country 2014-2020 ERDF Operational Programme; Global Lehian Programme

Internationalisation of innovation and of innovative and technology-based SMEs. Donostia UP! Local Economic Stimulus Plan of San Sebastián

### Policy context

The participation of Fomento de San Sebastian (FSS) in the UpGradeSME project was aimed at exploring possible improvements to the local and regional programmes to support SME internationalisation in San Sebastian and in the Basque Country. According to the application, the policy instruments to be improved were:

- At regional level, **the measure 3.4 of the Basque Country Operational Programme (POPV), "Support for the growth capacity of SMEs in regional, national and international markets, as well as in innovation processes"**, which was the only one dealing with internationalisation in the current programming period of ESI Funds in the Basque Country. Internationalisation of SMEs has been a permanent objective of the Basque Country business support policies. Throughout the years, the Basque Government and other Basque institutions have developed different programmes and instruments to help companies going international.

- At local level, the **support measures for business internationalisation within the local economic development strategy** incorporated into the annual Donostia Economic Stimulus Plan, also known as

DonostiaUP! The Local Plan encompasses a wide range of measures to promote job creation, innovation and business competitiveness, and internationalisation has been one of its cornerstones since 2012.

The selection of these instruments was based on the situation at the time of the preparation of the project application, back in Spring 2015. However, the final version of the POPV did not include measures to promote the internationalisation of companies. The ex-ante evaluation of the POPV indicates that "in the OT3, the initial idea of including Investment Priority (IP) 3.2/ Specific Objective (SO) 3.2.1 aimed at the internationalisation of companies has been abandoned, to avoid the excessive fragmentation of this axis".

As a result, FSS had to **readjust and redefine the policy instrument to be improved**, to keep it in line with the objectives and actions of the project, which has been fundamentally concentrated on improving the instruments to support the internationalisation of companies, especially the most innovative ones. FSS has found that **the policy learning process is particularly valuable to improve local policy instruments**, and eventually bring the results up to propose possible improvements to regional innovation and internationalisation policies. Therefore, the Action Plan will focus just on the improvement of the **support measures for business internationalisation within the local economic development strategy**.

## Action line 1.

Name of the action: Improvement of the innovation / internationalisation connection. Supporting technology-based start-ups to improve their business model and grow international (through the participation in the SME instrument)

1. **Relevance to the project (please describe how this action derives from the project and in particular from the interregional exchange of experience. Where does the inspiration for this action come from?)**

The analysis of the situation of business internationalisation in the area carried out during the first phase of the UpGradeSME project revealed that although the Basque Country is a leading exporter region in Spain, there is room for improvement. The recent economic crisis has forced companies to seek alternative markets abroad. The large and medium size enterprises have gone through this process quite successfully, but the smaller companies are still struggling when trying to go international. The lack of qualified and experienced staff was identified as a major obstacle for internationalisation of small companies, a weakness only partially covered by the existing supporting instruments.

Regarding the support instruments, those available cover most of the needs the companies face in the internationalisation process, but depending on their degree of internationalisation, needs may change and become more specific, particularly for innovative companies in emerging sectors. Many of the support systems are designed to meet the needs of companies in traditional sectors in their internationalization processes. However, business structures and internationalization models are evolving rapidly, as a result of technological changes and the advance of globalisation. In particular, innovative companies from emerging sectors have different needs and face different challenges when going international, and they may require new and better adapted support instruments.

During the project implementation the strong relationship between innovation and internationalisation has become more and more evident, as shown by the German and Dutch partner experiences. Steinbeis has also shown the relevance of participation in EU projects to spur innovation and help internationalisation of

SMEs. The learning process was developed over the three years of the first phase of the UpGradeSME project, specifically through:

- The meetings and exchange of experience visits in Stuttgart in April 2017 and in Leeuwarden in April 2018
- The staff exchanges from Fomento de San Sebastián to Steinbeis in Stuttgart in December 2017 and from Steinbeis and Leeuwarden to San Sebastián in March 2018.

This has influenced San Sebastian to strengthen some pilot support programmes to help companies to access the H2020 EU R&D Framework Programme, particularly the SME Instrument, in line with the general local innovation and internationalisation strategy. The Action Plan will aim to build on these experiences, to boost the internationalisation and the growth of highly innovative knowledge-based companies.

Finally, during the project meeting held in San Sebastian in October 2018, the San Sebastian draft strategy and policy instruments were presented to the partners, who were asked to provide their opinion, as a peer review exercise. Three thematic groups, focusing each one on a specific topic: 1) internationalisation of talent and development of talent for internationalisation; 2) internationalisation of innovation and the use of innovation as a tool for internationalisation; 3) business internationalisation of companies the role of networking for accelerating international activity. The conclusions of the peer review were taken into account for the final design of the action plan and the policy improvement objectives.

## 2. Nature of the action (please describe precisely the content of action 1. What are the specific activities to be implemented?)

The Action Plan will focus on two main strategic lines: 1) talent attraction; 2) growth and internationalisation of innovative knowledge-based companies. The Action Plan will be connected with the wider local innovation and economic development strategy, particularly with the sustained effort to improve networking and collaboration within the Local Innovation Ecosystem, which is being addressed with the support of other Interreg Europe projects (Ecoris3 and UrbanM).

The Action Plan will be particularly targeted to improve local policy instrument, which will also work as a pilot programme that could be scaled up to regional instruments for the new programming period 2021-2027.

**Action line 1) Implementation of a local pilot project to boost the creation, growth and expansion of innovative knowledge-based companies through participation in European Calls for SMEs to allow them be more global (SME instrument).**

Under this action line, FSS will rearrange and supplement the local instruments that support innovative companies to build an integrated itinerary to identify and foster local talent, to strengthen their entrepreneurship skills and to support local talented people initiatives in business creation and expansion. Those local instruments are the different financial programmes available for companies under the umbrella of the Donosti Up Plan (The annual Economic Development Plan of the city). Those local instruments will be modified to meet the stated objectives. This action line will mainly aim to increase their competitiveness through the participation in SME Instrument. It could be developed in 4 stages:

1. **Seed Selection and Germination.** This action will aim at increasing the pace and the business focus of the local innovation ecosystem through the identification of innovative projects in the area. Every year a number of companies and start-ups (whether coming from research and technology centres, or business units) will participate, upon selection process in a programme for business exploitation of research results aimed at internationalizing their business plans and research-based results through

their participation in European Programmes addressed to SMEs. The main objective of the first stage will be the identification and showcasing of talent and business orientation in innovation teams.

2. **Fertilisation and Training.** Selected teams (or team members) will be offered a training and a 1-day support training to improve their business plans, as well as receive information about how to present SME instrument and better adapt their business plans or projects. Mentors from local innovation ecosystem and business community will be involved in the training programme. Business Plans and innovation level will be assessed at the end of the programme and may be offered an individual support package. Otherwise, participants would be invited to reformulate their projects in order to be accepted in the Individual support package.
3. **Programme: Participation in SME instrument:** Those participants with the right evaluation will go a step forward and will receive an individual support package that includes specialized consultancy to prepare SME instrument applications.
4. **Growth and expansion.** FSS will, in parallel, strengthen the instruments to boost the growth of highly innovative knowledge-based companies going through the support programmes, also considering International Networks to facilitate market access for companies

Phases 3 and 4 (Programme and Growth and Expansion) will be open to more mature projects not going through the initial Germination and Fertilisation steps.

**Action line 2) Capitalisation and regional up-scaling of the pilot project (framed and financed under the Donosti Up umbrella).** The local stakeholder group will evaluate the outcomes and impact of the pilot programme and will produce a final report with the recommendations for scaling the programme up to be available throughout the Basque Country. This action line will be developed in two stages:

1. Evaluation and impact analysis. The outcome and results of the project will be collected and analysed to identify the successes and possible improvements, and recommendations for scale-up. The report will be discussed, revised and approved at the local stakeholder group.
2. Up-scaling. The report will be transmitted to the relevant stakeholders at regional level, which will also be member of the local stakeholder group. The local stakeholder group will support and monitor the up-scaling process. The policy instrument will directly benefit from this new programme as it will foster our companies' innovative processes and internationalisation access, so its competitiveness in a globalized market. Besides, it will be backed by the policy instrument as Fomento San Sebastian Local Action Plan strengthens directly the core of **the measure 3.4 of the Basque Country Operational Programme (POPV), "Support for the growth capacity of SMEs in regional, national and international markets, as well as in innovation processes"**.
3. **Stakeholders involved** (please indicate the organisations in the region who are involved in the development and implementation of the action and explain their role)

Fomento de San Sebastian. FSS is the local Innovation and Economic Development Agency. It will be running and co-financing the support programme and will act as catalyser, to identify and recruit the SMEs, to set strategic partnerships with technology centres and large companies that can act as mentors of smaller companies.

Technology Centres. San Sebastian boasts a rich innovation ecosystem, with a large number of technology centres, most of them in close connection with business at home and abroad. However, indicators of commercial exploitation of innovation are not as good as it could be expected. The Action Plan intends to enhance the business potential of their research and innovation activities and the pro-business attitude of their staff.

Local Leading Companies. Leaders from the local business community will be involved throughout the process, from the selection of business exploitation of research results to the mentoring of the selected teams. FSS has reached cooperation agreements with Local Leading Companies to support the growth and internationalisation of innovative and knowledge-based companies.

Basque Government. Department of Finance (ROP Management Authority), Department of Economic Development and Infrastructure and SPRI Group (Basque Agency for Business Development). The latter are the departments in charge of Innovation and Internationalisation, while the former is responsible of grant programmes and of the programming of the ERDF funding. They will be responsible of the preparation of the new EU-funded instruments for the new programming period (2021-2027). The UpGradeSME local project partner (FSS) will liaise with them to transfer the results of the pilot programme in order to scale it up to the regional level.

#### 4. Timeframe (please specify the timing envisaged for action 1)

The Action Plan partly builds on some existing programmes and actions. Some of them will be strengthened or improved, and new features will be added. Therefore, some of the actions are already being partly implemented, and improvements will be made in the next edition of the programmes within the DONOSTI UP 2019 (April/May 2019).

**Action line 1) Implementation of a local pilot project to boost the creation, growth and expansion of innovative knowledge-based companies through participation in European Calls for SMEs to allow them be more global (SME instrument).** The full implementation of this Action line is planned to be achieved in 2020. It shall be approved by the Local Council which will be elected in May 2019.

The pilot action would be launched in Spring 2019.

**Action line 2) Capitalisation and regional up-scaling of the pilot project.** This Action line will follow the implementation of the local project. It is expected that the evaluation and impact analysis will be carried from September to December 2020, and transmitted to the Regional Government early 2021

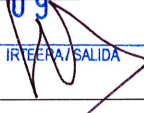
#### 5. Indicative costs (please estimate the costs related to the implementation of action 1)

The implementation of the Action Plan will have a minor funding requirement, as it will partly use existing resources, and in fact the actions are deliberately designed to increase the demand for the existing programmes. The cost of specific training programme proposed for the winners of the competition, which would be a new feature would be in the range of 40.000 euro per year. The organisation of the competition may also involve some minor costs. Some external technical support may be required for the preparation of the evaluation and impact analysis. A budget of 12,000 euro may be necessary.

#### 6. Indicative funding sources (please describe how action 1 will be financed. Is it through the policy instrument(s) indicated in part II):

The Action Plan will be funded by FSS. Some sponsorship by local companies may be sought for some of the actions and events



DONOSTIAKO FOMENTO DE SUSTAPENA SAN SEBASTIAN	
Date: 2019 ABE. 09 DIE. 09	
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Signature: 	
Stamp of the organisation (if available): _____	