Project INTRA:

Regional State of Affairs report

EXTREMADURA

(Spain)

Foundation FUNDECYT Scientific and Technological Park of Extremadura

November 2017

REGIONAL STATE OF AFFAIRS

I. EXECUTIVE SUMMARY

INTRA project (PGI01464) is funded within the first call of the INTERREG EUROPE Programme of the European Commission (EC), under the policy topic Competitiveness of SMEs. It focuses on the role of public authorities in creating internationalisation services to support the competitiveness of the regional economies and thus contribute to the Europe 2020 strategy. The project duration is five years (from 01.04.2016 to 31.03.2021) and the total grant is 1.640.062 EUR.

INTRA partners are from six different EU28 member states: Maribor Development Agency (Slovenia), Regional Agency for Entrepreneurship and Innovations – Varna (Bulgaria), Foundation FUNDECYT Scientific and Technological Park of Extremadura (Spain), University of Algarve (Portugal), Coventry University Enterprises Limited (United Kingdom), CAPITANK (Italy) are supported by the Managing Authorities for ERDF in their countries/regions and represent the active stakeholders in internationalisation.

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

In the following document an analysis of the current situation in Extremadura region was done, highlighting the internationalisation performance of the region and the SMEs, the instruments available and the stakeholders involved in the process. Moreover a survey was conducted in order to further analyse some specific aspects such as the barriers and drivers faced by SMEs. Finnally, some conclusions were drawn as a first step of a Policy Reccommendation for the Public Bodies in charge of the internationalisation policies.

II. PORTRAIT OF THE REGION

1. General information

Extremadura region

Extremadura is placed in the South-west of Spain. This region covers 41,635 km², the most of it vast surfaces with not so high elevations at the north and south, making it the 5th largest of the Spanish Autonomous Communities.

Extremadura is one of the 17 Regions that compose the Spanish state. It is divided into 2 Provinces: Cáceres and Badajoz, being Mérida its regional capital.

It exercises its powers through the following democratic institutions:

- The Extremadura Parliament (Asamblea de Extremadura): is the body that represents Extremadura's citizens. Its members (65 MPs) are elected every four years by public elections.
- Extremadura Regional Government (Junta de Extremadura): is the body that exercises the functions of governance of the region. The president of the Regional Government is elected by the members of the Parliament and is responsible for nominating the different

Regional Ministers in charge of carrying out the policies and competencies of the Government.

The climate of Extremadura is Mediterranean. In general, it is characterised by its very hot and dry summers, with great droughts, and its long and mild winters due to the oceanic influence because of its proximity to the Atlantic coast of Portugal.

The average yearly temperature fluctuates between 16 and 17°C year to year. During the summer, the average temperature in July is greater than 26°C, at times reaching 40°C. Due to its climate, Extremenian rivers have plenty of reservoirs that provide water resources during the summer as much as hydroelectric energy.

In Extremadura over one million of inhabitants live in 41,635 km^2. The population density is 26 inhabitants/ km2 that is almost five times smaller than the average density in Europe (116.8 inhabitants/ km2).

Most of Extremadura's population lives in small towns of less than 5,000 inhabitants. Only one town has a population over 100,000 people (Badajoz city - 150,000 inhabitants).

Geomorphology provides Extremadura of several conditions that made it very suitable for the development of agriculture, such as rich soils, vast surfaces and low slopes with well adapted crops.

The socio-economic context of Extremadura is conditioned by its low population density. Over 400 municipalities stretch throughout the region, within a rural network that has historically been characterised by a poor agricultural-livestock economy and high levels of emigration.

The peripheral situation of the region with regards to the large economic centers of the peninsula and of the rest of Europe, and the inadequate structuring of the traditional transport and communication infrastructures have also presented great challenges for the development of the region.

The economic configuration of Extremadura, by production sectors, has a more traditional production structure than the national average.

According to data published by the National Institute of Statistics (INE), during the year 2016 the **economic activity** in the region grew by 2%, one tenth less than the record reached in 2015. The regional **GDP per capita** presents an increase with respect to 2015 of 3.1% and reach the 16,369 euros. It should be noted that this growth is above that of the EU-28 (coming EU-27), which stood at 1.9%.

This growth was favored due to the domestic demand, supported by low **interest rates**, as well as an increase in **available income**, thanks in part to the slight improvement in the labor market. Also the fact that **oil prices** remain low served as an economic boost.

In the opposite direction behaved the **exports that in 2016** decreased with respect to the previous year, although it seems more a punctual behavior since with the data of beginning 2017 seems to have recovered its dynamism.

By **economic sectors**, through the data provided by regional accounting, it can be observed that their behavior is very different. Thus the best performance comes from the **service sector**, followed by **construction**, which is growing for the second consecutive year, and seems to be reactivated despite the decline experienced by public works. On the other hand, **agriculture and industry** sectors are showing drop in 2016 and worsening in relation to the previous year.

The **Harmonized Business Confidence Index (HBCI)** of Extremadura, after falling in the first quarter of 2016, followed an upward trajectory in the following quarters, to finish standing at 129.2 points and being ranked 11 out of the 17 autonomous communities, a little below the Spanish average which stands at 131.4 points.

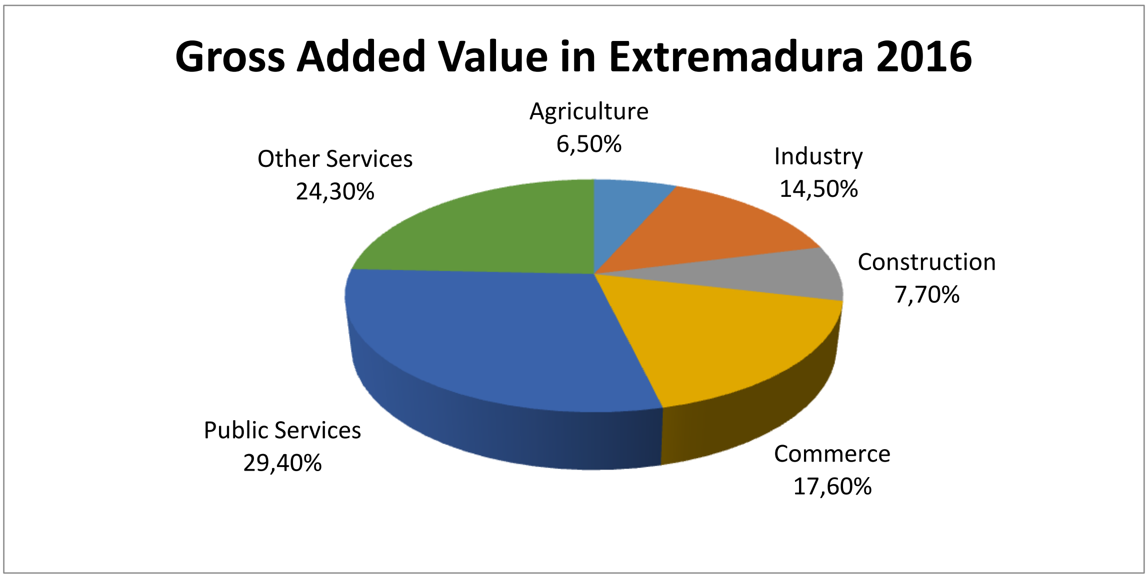
If comparing the commercial relations of Extremadura with the rest of Spain and abroad in 2016 we observe that it has balances of opposite signs: a negative balance of 2,401 million euros in **interregional trade**, as a result of exports of 2,677 million euros and imports of 5,078 million euros; and a positive balance in **international trade**, amounting to 610 million euros, as a difference of 1,681 million euros' exports and of 1,071 million imports.

As for the General Consumer Price Index **(CPI)**, it fell by 0.2% on average in 2016, seven tenths above the previous year. Regarding the net labor cost per worker it reached 24,907.1 euros in 2016, a drop of 1.1% year-on-year.

Within the **financial part**, the region reached a deficit of 1.61% overcome only by another Spanish region (Murcia), which means a financing necessity of 285 million euros in terms of National Account and that represent 206 million euros less than the previous year. Extremadura's public debt reached 4,059 million euros, 22.9% of GDP.

The following graph shows a breakdown of the productive sectors´ weight. If comparing with the Spanish one, highlight the greater participation of both agriculture and public services and the lower of commerce, other services and industry:

Figure 1: Structure of Gross Added Value in Extremadura 2016



Annual Report of Extremadura´s Economic Situation / year 2016 /
General Secretariat of Economy and Commerce

Productive sectors

<u>Agriculture Sector</u>

During the 2016 annuity, the Gross Added Value of agriculture in Extremadura continued the trend started the previous year, by falling 1.6%.

Regarding the **agricultural production**, the total surface cultivated decreased by 3.5%. Of the total area, 72.4% went to cereals, followed by 11.3% to fruit trees and 6.9% to horticultural crops.

They are followed by industrial crops with 6.3%, legumes with 3% and finally tubers 0.1%. In this annuity, there were only increases in the areas of fruit trees (10.7%) and legumes (3.6%).

In terms of **livestock production** (slaughtering of livestock in tons) it increased by 11.9% in 2016. The species with the highest weight in the total, such as porcine and poultry showed significant increases of 21.9% and 6.8% respectively, although cattle also rose 8.5%. However, goats (-48.2%) and sheeps decreased (-14.9%).

Foreign trade in the agricultural sector in this year was less dynamic with decreases in both exports and imports. Agricultural exports decreased by 11.5%, although they exceeded 332 million euros, which represents 19.8% of total exports in the region. This drop is mainly due to the decline in exports of fruits and meats. On the other hand, imports fell by 7.4% as a result of lower import of meat and pulse.

The **agricultural trade balance** decreased by 14.1%, from 228 million euros in 2015 to 196 million in 2016.

As for the **labour market**, it does not perform well, so that the active people of the agricultural sector fell by 3.4%, being the sector where they fell the most.

Employees in the sector also decreased by 5% following the trend of the previous annuity and in the same negative line the unemployed increased by 0.3% for the second consecutive year.

Industrial Sector

The industrial sector in Extremadura in 2016 recorded a decrease in Gross Added Value (GAV) of 0.9% in real terms. The manufacturing industry showed a better performance presenting a positive rate of 0.1% year-on-year, accumulating two years in the positive.

In this annuity the GAV of the industry represents 14.5% of the total in the region, where the

51.4% of this industrial GAV corresponds to the manufacturing industry.

The **Industrial Production Index**, main indicator of the industrial activity, after two annuities with positive rates, registered in 2016 in annual average a fall of 1.4% compared to the increase of 1.6% experienced at national level.

Another important indicator of the industrial sector is the **Industrial Price Index** (IPRI), an indicator of factory sales prices, which, after a year-on-year improvement (0.7%) declines again in 2016 a 1% (annual average).

Regarding the **labour market**, the employed people increased by 2.5%, reaching an average of 37,500 people. As for the unemployed in the industrial sector, they fell for the third consecutive year by -15.4% (800 unemployed less than in the previous year).

<u>Construction Sector</u>

For the second consecutive year, the construction sector registered a positive variation of GAV which in this 2016 year was 2.3%, very close to that presented at national level (2.5%).

This improvement in GAV was reflected in the sector's indicators, although some still presented dissimilar data. Thus, **the sale of housing** increased by 18.6% after the setbacks of previous years, with 6,299 operations carried out, of which 89.6% were used housing that increased by 26.3%, while the sale of new housing continues falling.

Contrary to what might be expected, the improvement of some indicators in the sector is not reflected in the **labour market**. The employed people fell by 4.5% and it was the sector that registered the greatest increase of unemployed in relative rate (1%).

<u>Service Sector</u>

The GAV of the Service Sector during 2016 increased by 2.7% per year, with the highest growth in information and communications (5.4%), wholesale and retail trade, transport and hotel trade (5%) and professional, scientific and technical activities (3.8%). Only financial and insurance activities went back (-2.4%). In this annuity, the GAV of the sector means the 71.3% of the total in current values in Extremadura, which shows the importance of this sector in the region.

As regards the structure of the sector, the Public Administration stands out for 41.3% of the sector (41.1% the previous year), followed by commerce, transport and hotel trade which represents the 24.7% (24.4% in 2015), and real estate activities that reached 14.7%, lower in this case than in the previous year (15%).

In terms of **Commerce**, the Constant Retail Index, which measures the evolution of sales and employment, increased by 1.7% annually, influenced by the improvement in domestic demand. The **Commerce Occupancy Index** showed the same behavior and grew by 0.8%.

According to the INE's Annual Business Survey of 2015 (latest data published), the commerce sector employs 56,200 people in the region and revenues exceed 9.300 million euros.

Regarding **Transport** and differentiating between passenger and freight transport, in the first case it increased by 1% the number of passengers who used urban transport by bus after four years of declines.

In relation to freight transport, heavy vehicles authorized for the carriage of goods by road increased by 6.4% (511 more vehicles), with higher rises in those that perform self-employed 'services.

Tourism maintains the growing trend that began in 2014 and in this year, with INE data, it recorded an increase in the number of travelers of 5%, visiting the region 1.7 million tourists with increases both residents in Spain as well as non-residents.

According to the Tourist Expenditure Survey (EGATUR) published by the INE, in 2016, the total expenditure of tourists in Extremadura was 101 million euros, 8.1% lower than the previous year.

Making an analysis from the supply side, the number of tourist establishments increased by 2.4%, accounting 33 establishments more than in the previous year.

The good progress of the tourism sector in the region has its logical effect on the **labour market**, and thus the staff employed has grown by 2.9%, to 3,471 people with data of average annual occupancy in hotels and extra hotel establishment.

With respect to the **labour market of global service sector**, according to LFS data, the sector's employment increased by 3.6%, continuing the improvement initiated in 2013. In addition, there was a reduction in the number of unemployed of 4.8% which meant 1,950 unemployed less.

The SMEs in Extremadura

Of the 64,347 companies in the Autonomous Community of Extremadura, 64,328 are SMEs (0 to 249 employees), which represents 99.97% of the total companies in this Region. The 96.73% are micro-enterprises (0 to 9 employees), of which 54.30% are companies without employees. The number of large companies is well below the national average: 0.03% versus 0.12%.

Structure of SMEs in the region by size	
Total SMEs	64.328
Micro	96,6%
Small	3%
Medium	0,4%

Extremadura´s companies, which represent the 2.02% of the total Spanish companies, are mostly registered under the legal status of natural person (60.11%). They are followed in numerical importance by companies that exercise their activity as a limited company, with 25.77% and those that do it under the denomination of common property, 5.64%.

The 49.36% of Extremadura companies are active in the “other services” sector, 30.07% in commerce, 13.14% in construction and the remainig 7.4% in the industry. The biggest difference in relation to Spain can be found in the "other services" sector. In this section of the sectoral distribution, the figure of Extremadura Region is 7.7 points lower than the national average.

A more detailed analysis of the production sectors shows that, in the composition of the services sector, the largest percentage falls in the Hospitality with 6,519 establishments. The trade has 19,348 companies of which 12,510 are engaged in retail trade; followed by the construction sector with 8,455 companies, and lastly, the industrial sector, with 4,782 companies of which 4,133 are manufacturers.

If we observe the indicators that relate the number of companies to the general and active population of the reference area, it can be seen that in Extremadura the average number of SMEs per 100 inhabitants is 5.87. For every 100 active it rises to 12.70 and for every 100 occupied it reaches 18.13.

The evolution of Spanish companies between 2005 and 2015 shows that in Extremadura Region there has been a net growth of 1,472 companies, which means an increase of 2.34%. This growth is much higher than the Spanish average (0.54%). The province where the companies have grown the most during this period has been Badajoz (4.31%).

As regards the legal status, the highest absolute growth is experienced by the natural person (1,093 companies), followed by the limited company (168 companies), the common property (122 companies) and the cooperative society (7 companies). Only the stock corporation decreases, by 40 units, which means a variation of -3.64%.

By sectors, the number of companies in the “other services” sector increases with 1,386 more companies, and also the commerce sector with 209 companies. The industrial and construction sectors reduced their number in 33 and 29 companies respectively, which translates it into a variation of -69% and -0.34%.

Trade in Extremadura

Regarding the Annual Report of Extremadura’s Economic Situation elaborated by the General Secretariat of Economy and Commerce, in 2016 Extremadura exports stood at 1,681.4 million euros, with a year-on-year decrease of 2.2%. On the import side, they grew by 2.6% year-on-year to € 1,701.4 million.

In the monthly evolution of trade flows, during 2016, there were important ups and downs. Exports followed an upward trend in the first seven months of the year, from 108.9 million euros in January (minimum value of the year) to 195.9 million euros in July (maximum value of the year). They fall in August and continue with soft variations, ending the year at 132.1

million euros. The flow of imports was more regular, with a minimum in January (79.8 million euros) and a maximum in March (100.7 million euros).

The study of the sectoral breakdown of trade exchange confirms that purchases and sales to other economies remain concentrated in some sectors and manufacturing branches. Although the sectoral behavior of exports was uneven, most sectors fell back.

In 2016, more than half of Extremadura's sales abroad corresponded to the food sector, where they fell by 5.5% with respect to the previous year, followed by semi-manufactures which, after a year-on-year decline of 1.0%, represent 20.3% of total exports. Sales of capital goods (4.1% of total exports), as well as energy products (-47.2% year-on-year) and automotive sector (-0.3%) decreased by 13.9% year-on-year, which together account for almost ten percent of total exports. On the other hand, sales of raw materials increased (25.1%) accounting for 5.6% of total exports, consumer goods (10.9%) and consumer durables (7.0%), which together account for almost fifteen percent of the total.

The increase in exports of raw materials is mainly due to the 26.0% increase in exports of animal and vegetable raw materials, together with a 9.6% increase in ore and minerals, representing these two items the hundred per cent of total exports in the sector.

The fall in energy products is explained by the 42.5% decrease in oil and oil derivatives exports, which represents 98.0% of total exports in this sector.

In the import side, almost two-thirds of Extremadura purchases abroad correspond to capital goods (23.5%), food (20.3%) and semi manufactures (19.6%) sectors. Regarding year-on-year variation rates, food and semi manufactures goods fell 5.3% and 1.5% respectively, while capital goods increased 5.7% year-on-year. In the rest, imports from the previous year improved in the sectors of raw materials (20.4%), consumer manufacturing (5.4%) and durable consumer goods (5.3%), which together represent almost the thirty percent of total Extremadura´s imports. On the other hand, imports of energy products (-1.9%) whose weight is 1.2% of the total, and automotive sector (-0.5%) decreased.

In 2016, trade flows from Extremadura, by destination and origin, show significant variations with respect to the previous year. In the case of exports, Europe remained the reference area, absorbing 84.4% of the total, especially the EU-28 countries (80.4% of the total), and within these, the euro area (71.6% of the total).

Regarding destinations outside Europe, we found in this order: Morocco (with a share of 2.2% of total exports from Extremadura), Russia (1.9% of the total), the United States (1.8%), Brazil (1.7%), China (1.2%) and Japan (1.1% of the total).

As for the ranking of the main customers, exports to Portugal (2.0%) and a positive variation in France (0.3%) were observed, with Portugal remaining the main destination for Extremadura exports, with 507,3 million euros, 30.2% of the total. As a result, Extremadura's share accounted for 2.8% of Spain's exports to Portugal.

Outside Europe, it is worth noting the increases in exports to China, 47.5% year-on-year to 20.7 million euros.

On the import side, Portugal also topped the ranking of supplier countries, with 389.3 million euros (36.3% of the total), 12.9% more than the previous year. It is followed by the Netherlands (with 149.4 million) and Germany (96.5 million), despite declines of 6.6% and 2.8% respectively. It should be noted the rise of imports from France (15.1% year-on-year), and the decline of Poland (-13.8%).

In 2016, Extremadura´s exports represent 0.66% of the total of Spain. In terms of imports, Extremadura, with 0.39% of the total, occupies the last position.

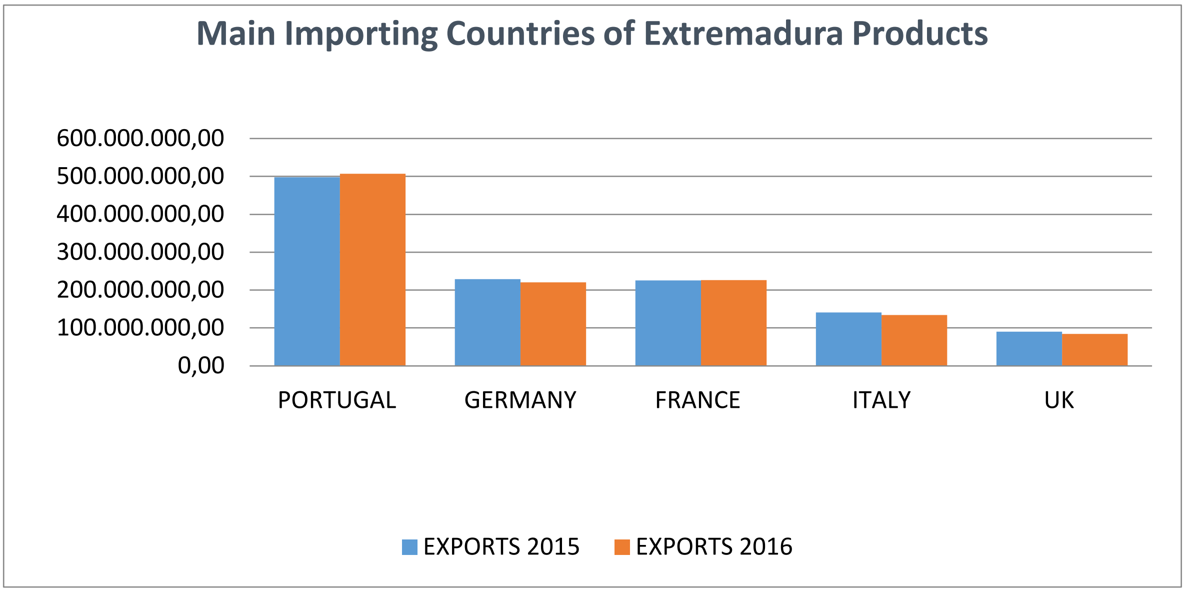
The lowest comparative magnitude of foreign trade in the regional economy is evident in the “openness index”. With regard to the whole of the Spanish economy, the small share of foreign trade in the Extremadura´s economy is explained by the small weight of the manufacturing industry, especially capital goods and automobiles, which are the main products of international trade. Likewise, the smaller size of Extremadura companies in the different industrial branches limits their capacity and propensity to export.

The degree of openness of the Extremadura´s economy evolves at levels well below the Spanish average. In 2016, the degree of the openness of this economy (15.5%) was 31.8 percentage points far of the average of Spain (47.4%).

The variations in trade between Extremadura and abroad are reflected in the coverage rate. In 2016, with a trade surplus of 610.1 million euros, the regional coverage rate stood at

156.9%, decreasing 7.8 percentage points from the previous year (164.7%). However, the coverage rate in Extremadura continues at levels well above those of the national average (93.1%).

Ranking of the main Importing Countries of Extremadura Products



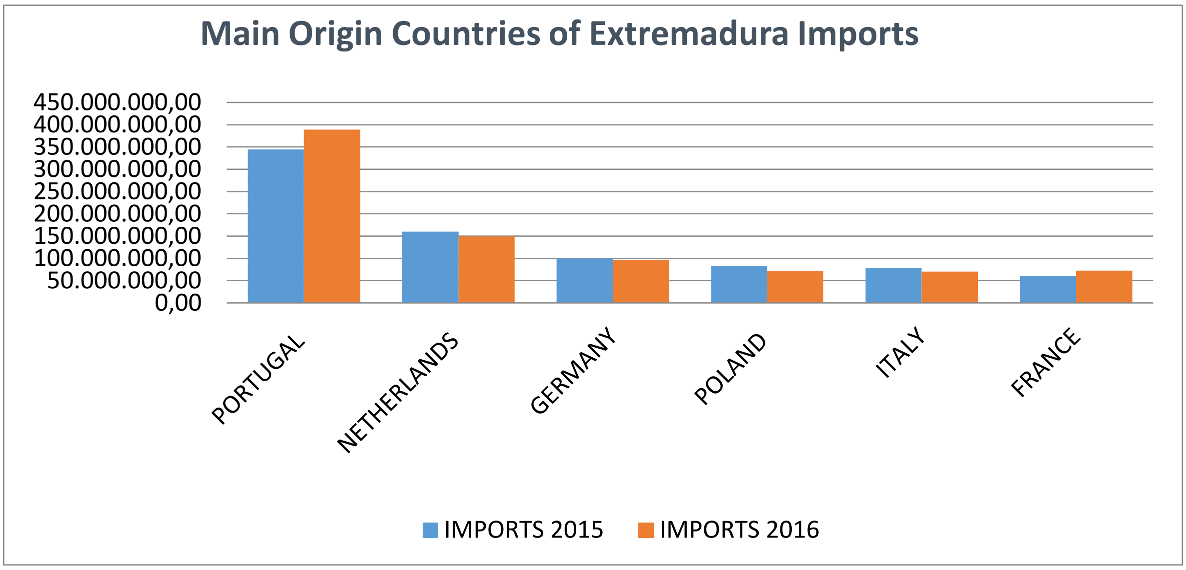
COUNTRY	EXPORTS 2015
PORTUGAL	497.455.086,0
GERMANY	229.014.695,7
FRANCE	225.390.040,8
ITALY	140.874.166,8
UK	89.677.123,6

COUNTRY	EXPORTS 2016
PORTUGAL	507.251.737,0
FRANCE	226.024.289,3
GERMANY	219.964.883,8
ITALY	134.463.060,6
UK	83.902.992,7

2015 and 2016 (provisional data)

Foreign Trade Bulletin 2016 / Statistical Institute of Extremadura (ieex)

Ranking of main Origin Countries of Extremadura Imports



COUNTRY	IMPORTS 2015
PORTUGAL	344.759.629,3
NETHERLANDS	159.954.078,7
GERMANY	99.319.392,5
POLAND	83.097.632,8
ITALY	78.369.827,5

COUNTRY	IMPORTS 2016
PORTUGAL	389.249.635,8
NETHERLANDS	149.357.466,9
GERMANY	96.538.582,4
FRANCE	72.383.491,0
POLAND	71.665.791,7

2015 and 2016 (provisional data)

Foreign Trade Bulletin 2016 / Statistical Institute of Extremadura (ieex)

According with the Annual Report of the Extremadura´s Economic Situation / year 2016 of the General Secretariat of Economy and Commerce, the **international investment** of companies is another element that, together with external trade flows, contributes to the growth process of an economy internationalisation.

In 2016, the moderate pace of growth of the world economy was felt in a decline in foreign investment flows in Spain (-1.2% year-on-year). Madrid and Catalonia were the communities that received most **gross foreign direct investment**, accounting both of them the 67.4% of the total in Spain.

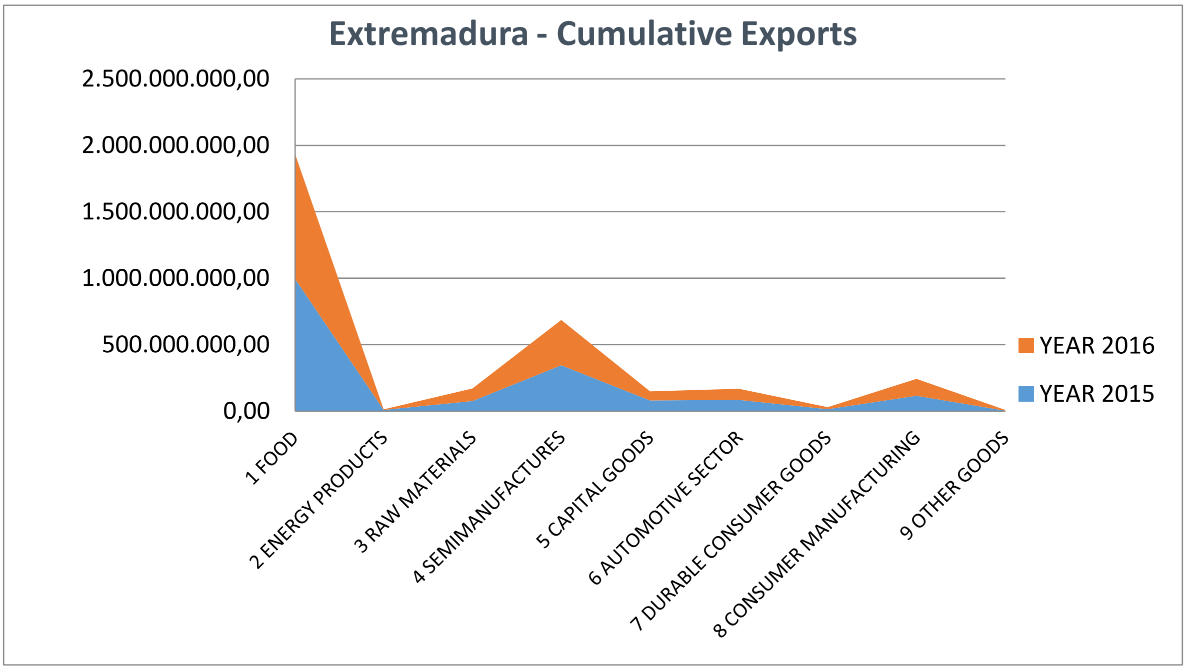
In 2016, gross foreign direct investment increased in Extremadura to a total of 62.1 million euros (compared to 44.1 million from the previous year), which represents 0.3 % of the total of Spain.

By business lines, in 2016, more than 60% of foreign capital received in Extremadura went to the supply sector of electricity, gas, steam and air, followed by agriculture, livestock, hunting and related services, with the 25,2% of the total.

Among the main investor countries in Extremadura in 2016, Luxembourg stood out, with a total investment of 38.1 million euros in the supply sector of electricity, gas, steam and air. It is followed by Portugal, with a total of 18.7 million euros, of which 15.7 million euros were invested in Agriculture, livestock and hunting (and related services).

The **investments of Extremadura companies abroad** have been declining in the recent years until reaching zero in 2015 (they went from 2.3 million euros in 2012 to 1.2 million in 2013 and to 0.02 million in 2014). Nonetheless, in 2016, 4.2 million euros had as destination Portugal, of which 73.7% of the total went to the auxiliary activities of the financial services sector and 26.3% to material and electric equipment manufacturing.

Extremadura - Cumulative Exports 2016

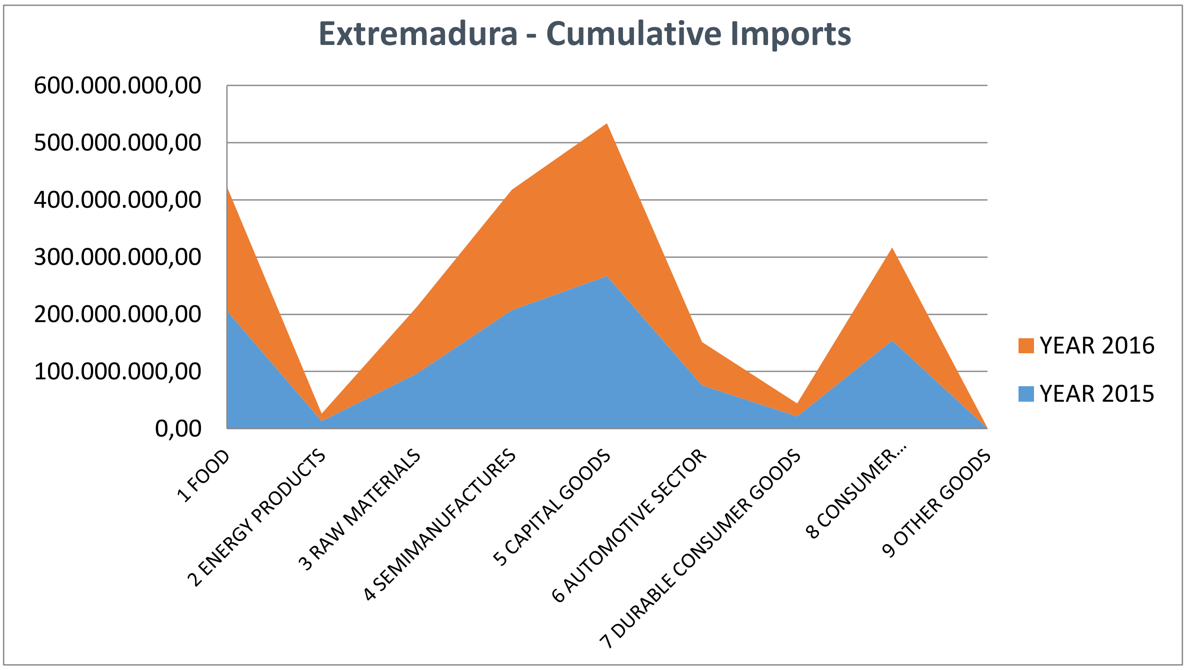


EXTREMADURA EXPORTS	*YEAR 2015*	*YEAR 2016*	*GROWHT*
1 FOOD	996.691.584,1	941.482.219,3	-5,5
2 ENERGY PRODUCTS	8.384.404,1	4.426.316,6	-47,2
3 RAW MATERIALS	75.369.944,3	94.295.056,9	25,1
4 SEMIMANUFACTURES	344.360.869,9	340.867.489,9	-1,0
5 CAPITAL GOODS	79.621.797,7	68.550.147,9	-13,9
6 AUTOMOTIVE SECTOR	83.929.756,8	83.700.210,8	-0,3
7 DURABLE CONSUMER GOODS	14.044.454,8	15.028.310,2	7,0
8 CONSUMER MANUFACTURING	114.830.033,3	127.380.181,3	10,9
9 OTHER GOODS	2.885.647,2	5.696.192,2	97,4
TOTAL	**1.720.118.492,2**	**1.681.426.124,9**	**-2,2**

2015 and 2016 (provisional data)

Foreign Trade Bulletin 2016 / Statistical Institute of Extremadura (ieex)

Extremadura - Cumulative Imports 2016

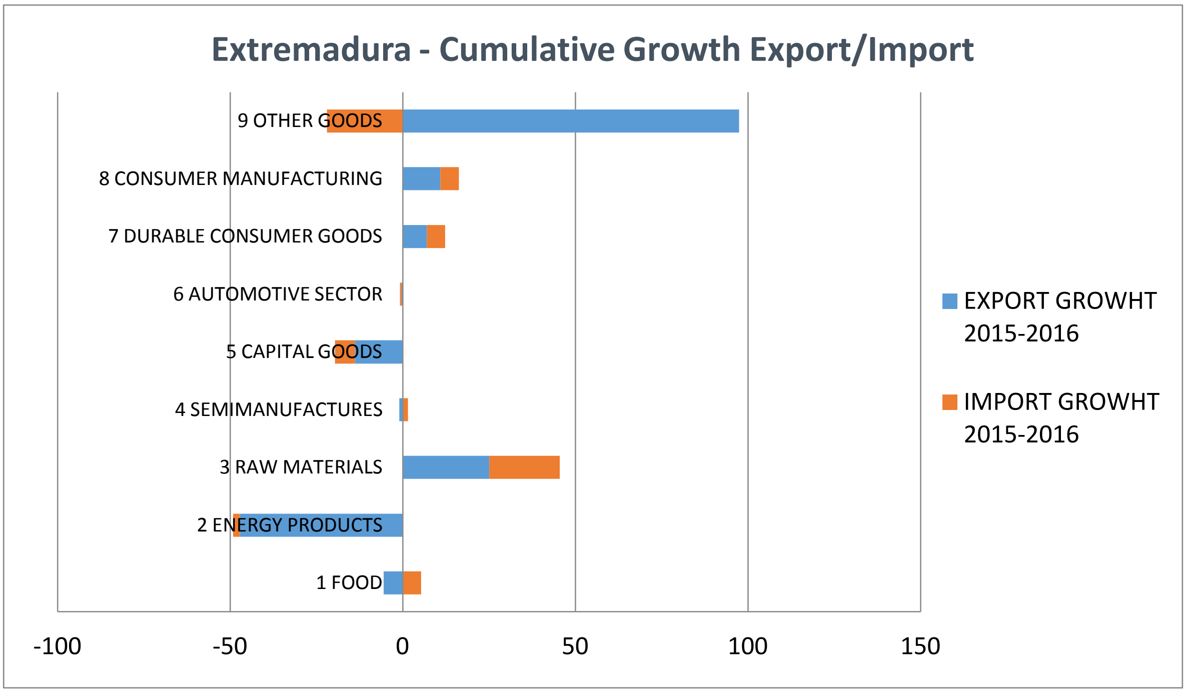


EXTREMADURA IMPORTS	*YEAR 2015*	*YEAR 2016*	*GROWHT*
1 FOOD	206.908.838,0	217.810.018,1	5,3
2 ENERGY PRODUCTS	13.373.076,4	13.121.006,2	-1,9
3 RAW MATERIALS	96.629.550,8	116.330.391,3	20,4
4 SEMIMANUFACTURES	207.478.609,0	210.496.178,2	1,5
5 CAPITAL GOODS	267.106.429,1	267.106.429,1	-5,7
6 AUTOMOTIVE SECTOR	75.968.922,7	75.613.446,1	-0,5
7 DURABLE CONSUMER GOODS	21.557.748,7	22.692.136,3	5,3
8 CONSUMER MANUFACTURING	154.320.717,0	162.607.756,7	5,4
9 OTHER GOODS	1.161.449,0	906.364,5	-22,0
TOTAL	**1.044.505.340,5**	**1.071.363.601,4**	**2,6**

2015 and 2016 (provisional data)

Foreign Trade Bulletin 2016 / Statistical Institute of Extremadura (ieex)

Extremadura - Cumulative Growth Export / Import



Foreign Trade Bulletin 2016 / Statistical Institute of Extremadura (ieex)

All that has been presented previously shows that Extremadura continues in 2016 on the path of growth, but there is scope for greater dynamism to boost convergence. The main macroeconomic magnitudes and the performance of public services are evolving in the right direction, thanks to the effort and commitment of the whole Extremadura society.

However, there remain essential aspects, mainly employment and its quality, which need to intensify its improvement. In this sense, the actions related to SMEs internationalisation represent a challenge of special importance for the Region.

At the end of 2016, Extremadura's economy practically kept its growth constant, linking two continuous years of growth, a fact that had not occurred since the years before the crisis (2007-2008).

As for exports in 2016 they fell compared to the previous year, although it seems more a specific behaviour, since with the data from the beginning of 2017 it seems to have recovered the dynamism. It should be noted that this growth is above the EU-28 one.

2. Internationalisation environment

Since the beginning of the new century, commitment to stimulate the regional business network has become one of the Regional Government of Extremadura's chief initiatives. One of the main action lines is directed to internationalisation processes in order to reach new markets and improve innovation as a competitive factor. In this framework, regional SMEs have at their disposal several tools that support them in different stages during their process to go abroad.

Most of the instruments available at regional level are managed by the Department of Commercialisation and Internationalisation of Extremadura Avante, which is a public company of the Regional Government of Extremadura, whose objective is to provide services to the regional companies in the different phases of their development, so that they can be more competitive, boosting the industrial and business development of the region.

Other organisations as the Chamber of Commerce also provide support to SMEs at regional level, in coordination with the public bodies.

TOOLS AND INSTRUMENTS MANAGED BY PUBLIC BODIES

TOOLS / INSTRUMENTS		**Policy Alignment**
2002	PIMEX and FORMACOEX	Directly from the Regional Government, reflected in Extremadura general budgets year after year
2004	CONSOLIDATION PLAN IN INTERNATIONAL MARKETS	Directly from the Regional Government, reflected in Extremadura general budgets year after year
2008	PROMOTIONAL BRANDS: "Alimentos de Extremadura"	ERDF Operational Program of Extremadura 2014-2020, Axis 3, Investment priority 3.d)
2014	ORDER 31/2014: AIDS ADDRESSED TO THE INTERNATIONALISATION OF THE EXTREMADURA ECONOMIC ACTIVITY*	Directly from the Regional Government, reflected in Extremadura general budgets year after year

2015	TRANSVERSAL SERVICES FOR INTERNATIONALISATION: • Extremadura Exports • i-Export • Promotional actions abroad • Commercial Delegations	ERDF Operational Program of Extremadura 2014-2020, Axis 3, Investment priority 3.d)
2016	EXPORT CONSORTIUMS	ERDF Operational Program of Extremadura 2014-2020, Axis 3, Investment priority 3.d)
	INTERNATIONAL PUBLIC TENDER PROGRAMME	ERDF Operational Program of Extremadura 2014-2020, Axis 3, Investment priority 3.d)

* It complements the Consolidation Plan

2002

PIMEX and FORMACOEX

These instruments were created in 2002 by the Regional Governmnat of Extremadura, and they are one of the oldest instruments to foster SME internationalisation in Spain.

The Internationalisation Plan for Extremadura Enterprises (hereinafter **PIMEX**) and the Training Program for New Professionals in Foreign Trade (hereinafter **FORMACOEX**) make up an integral tool to support the business fabric and to a certain unemployed profile with high qualification in the Region.

With PIMEX and FORMACOEX, SMEs with motivation to internationalise their products and/ or services are reached. It provides the target audience (SMEs) with the tools needed to achieve their objectives. The success of this practice lies in the combination of both programs, as it is created the contact between a company with motivation BUT no foreign trade department with a professional with training and skills BUT in search of a company where to work.

PIMEX is a Support Program to help Extremadura companies to initiate and go forward in their internationalisation process. It also seeks participating companies assume international strategic planning as profitable and achievable in their business plans.

FORMACOEX is the instrument to provide theoretical and practical training to unemployed people with higher degree and knowledge of languages (other than Spanish). The programme provides the target audience (skilled unemployed) with the tools needed to achieve their objectives: their insertion in the labour market as foreign trade technicians.

Regarding PIMEX and FORMACOEX, since 2002, more than 500 Extremadura companies have participated in these programs and have received the adequate support to strengthen their foreign trade departments.

INVESTMENT	2012	2013	2014	2015
PIMEX/FORMACOEX	252.208,12 €	506.784,71 €	583.103,50 €	513.740,88 €

2004

CONSOLIDATION PLAN IN INTERNATIONAL MARKETS

The **Consolidation Plan** is an aid programme created by the Regional Government of Extremadura, through Extremadura Avante, for the regional SMEs to go along with them in the international market until they are mature enough to be on their own. The main objective of the Consolidation Plan is to support the regional enterprises to consolidate not only the international sales, but also the export department and training in international marketing and strategy.

INVESTMENT	2012	2013	2014	2015
CONSOLIDATION PLAN	86.420,18 €	95.635,35 €	125.634,30 €	93.345,81 €

2008

PROMOTIONAL BRANDS: “Alimentos de Extremadura” (Foods from Extremadura)

Alimentos de Extremadura is a promotional brand designed by the Regional Government of Extremadura in order to identify new regional products. It is an identity seal for any produced, transformed and packed product in Extremadura. It is an opportunity to promote the sector in a joint and coordinated manner, pooling efforts so that broader horizons can be undertaken at a promotional and advertising level, in which the main sales argument to be emphasised will be the Extremadura origin.

2014

ORDER 31/2014: AIDS ADDRESSED TO THE INTERNATIONALISATION OF THE EXTREMADURA ECONOMIC ACTIVITY

Complementing the Consolidation Plan, enterprises can apply to the **Order 31/2014**, an aid to grant the recruitment of foreign trade technicians for a period of 3 years minimum. This aid is a 30.000 euro direct grant to be paid in three years (15.000, 10.000 and 5.000 respectively) for the first, second and third year contract. This aid is only once per beneficiary.

INVESTMENT	2016	2017	2018	2019
ORDER 31/2014	30.000 €*	240.000 €	160.000 €	80.000€

*Amount only for the last trimester 2016.

2015

TRANSVERSAL SERVICES FOR INTERNATIONALISATION

- **Extremadura Exports**

Extremadura Exports, created by the Regional Government of Extremadura through Extremadura Avante, is a support program for Extremadura's companies, that includes all those training and awareness-raising actions related to the company's internationalisation strategy. Under the umbrella of Extremadura exports seminars and training workshops on international operations such as customs management, logistics, incoterms, and means of collection and payment are organised, among others. There are also organised activities related to languages, communication, or management of international sales platforms.

- **i-Export**

i-Export, created by the Regional Government of Extremadura through Extremadura Avante, is a service to facilitate Extremadura companies' access to internationalisation and encourage the increase of their exports through a free program that provides information and advice to companies that demand support in the field of Foreign trade, accompanying them in the "first steps" of the export of their products and services. These transversal services are continuous and available throughout the year. Calls are made according to the different events that are being organised.

- **Promotional actions abroad**

Promotional actions abroad is a commercial tool, created by the Regional Government of Extremadura through Extremadura Avante, fundamental for the introduction and consolidation of the products and services of Extremadura companies in international markets. There is an annual schedule of actions agreed with the business fabric of Extremadura. These transversal services are continuous and available throughout the year. Calls are made according to the different events that are being organised.

- **Commercial Delegations (External Network)**

Commercial Delegations (External Network) is a tool created by the Regional Government of Extremadura through Extremadura Avante, to provide SMEs with the services of the Commercial Delegations Abroad. Extremadura companies have at their disposal the advice and personalised assistance of professional experts, both for prospecting and for consolidation and growth in different markets. These transversal services are continuous and available throughout the year. Calls are made according to the different events that are being organised.

In 2016 the markets of Germany, Brazil, Chile, Colombia, the United States, Morocco, Mexico, Panama, Peru, Portugal and the United Kingdom are part of the Extremadura Avante External Network, from where continued support is provided to facilitate the promotion and commercialisation of Extremadura products and services.

2016

EXPORT CONSORTIUMS

The Export Consortiums Program has been created by the Extremadura Regional Government through Extremadura Avante and it is a tool to encourage the growth and training of SMEs in complementary and/or related sectors with a common objective in Internationalisation. In order to achieve the objectives established by the program, a series of possible actions are handled, such as commercial trips, promotional material, specific promotion actions, etc.

The main objective of the program is to allow Extremadura companies to join forces in order to approach external markets accompanied by partners who support them and minimise costs and possible risks. This objective is shared both by companies that have international trajectory and by those companies that are initiating their internationalisation processes.

INTERNATIONAL PUBLIC TENDER PROGRAMME

The **International Public Tender Programme** 2016, created by the Regional Government of Extremadura through Extremadura Avante, is a tool to support those regional enterprises that consider the international public tender markets as an axe in its global internationalisation strategy.

The International Public Tender Programme is directed to facilitate the access and participation of the regional enterprises in international tenders published by multilateral public bodies and, in some cases, by national governments. Moreover, it is expected to promote the location and collaboration with potential partners and/or strategic experts, with the aim to increase the internationalisation grade and the international presence of the regional enterprises participating in the programme. The conditions for the participating enterprises are: to have their activity in the Extremadura region and to be producers/providers of the goods/services addressed to the international markets.

INVESTMENT	2016
INTERNATIONAL PUBLIC TENDER PROGRAMME	20.000 €

OTHER INSTRUMENTS AVAILABLE AT REGIONAL LEVEL

INTERNATIONAL PROMOTION PLAN

The **International Promotion Plan** of the Chamber of Commerce of Badajoz makes available to companies, by means of the cameral entities, a series of instruments, activities and aids to support their internationalisation processes through International Promotion (direct/inverse trade missions, grouped participation in fairs, viisits to Fairs), Awareness and Information (Forums Organization, Info Days, Seminars, Workshops, information and analysis activities), and Special Actions (carrying out events for the global international promotion in a particular area or demarcation, analysis of international competitors and other actions aimed at increasing the international positioning of SMEs).

The Plan has been already implemented in the framework of the previous programming period, and will continue throughout the ERDF Operative Period 2014-2020.

SUPPORT PROGRAM FOR THE INTERNATIONAL EXPANSION OF SMES (XPANDE)

XPANDE is an individualised consultancy program offered by the Chamber of Commerce of Badajoz, aimed at companies with limited or none experience in international markets, as well as at those companies interested in start exporting to a certain foreign market. These companies need advice to optimize their limited resources, following precise and assumable objectives, and to access to new markets and strengthen their presence in them with an adequate and competitive supply. The objective is to support SMEs in this process with the highest chances of success.

Xpande started in 2013, during the previous programming period. Since 2016 it has started again under the O.P. 2014-2020.

DIGITAL XPANDE SUPPORT PROGRAM

The **Digital XPANDE Program** is an instrument of the Chamber of Commerce of Badajoz, based on a personalized advice to SMEs in the field of international digital marketing oriented to a product/ service as well as to a country previously selected by it. There is a first phase counselling, in which a detailed analysis of the company is carried out in order to develop a report of recommendations and an action plan regarding international digital marketing. In a second support phase_for the implementation of the Action Plan, the SMEs receive support at strengthening the on-line positioning of the SME and its products/ services in the target market.

Digital XPANDE also includes a series of **horizontal actions** with territorial nature executed

by the cameral entities in their territory of intervention, and whose repercussion exclusively affects its demarcation area: publication in bulletins, publication of the call in press, organization of info events, forums, promotion, dissemination and recruitment of beneficiaries in the territory. The programm started in 2016 and will be operative until the end of the current programming period.

3. Main National/regional Stakeholders

Regional Stakeholders

General Secretariat of Economy and Commerce	Regional Government
General Directorate of Enterprise and Competitiveness	Regional Government
General Directorate of Foreign Affairs	Regional Government
Extremadura Avante	Intermediate organisation
University of Extremadura	University
Chamber of Commerce, Industry and Services of Badajoz	Chamber of Commerce
Chamber of Commerce, Industry and Services of Cáceres	Chamber of Commerce
Extremadura Regional Business Confederation - CREEX	Business organisation
Territorial Directorate of Commerce in Extremadura - ICEX	Intermediate organisation
Energy Cluster of Extremadura	Business organisation
Enterprise Europe Network EEN	Network

The aforementioned entities are the Regional Agents related to the internationalisation support policies in the region of Extremadura: Public Administration, Organisations/Agencies, SMEs representatives and Academia.

REGIONAL GOVERNMENT OF EXTREMADURA

The **Regional Government of Extremadura,** through the Regional Ministry of Economy and Infrastructures is in charge of the design, development and implementation of the policies address to the business fabric of the region. Inside this Ministry, specifically, the General Secretariat of Economy and Commerce is in charge of the design and implementation of the internationalisation policies for regional enterprises. The executing agency of most of these policies is Extremadura Avante.

Other units of the Regional Government, such as the General Directorate of Enterprise and Competitiveness and the General Directorate of Foreign Affairs, also work towards the support of internationalisation at different levels.

EXTREMADURA AVANTE

Extremadura Avante is a public company of the Regional Government of Extremadura whose objective is to provide services and financial aid to Extremadura companies, in the different phases of their development, so that they can be more competitive, boosting the industrial and business development of the region.

It offers different services such as information, consulting and trainning, and also different financial tools addressed specifically to the internationalisation process in the SMEs. Some of these are coordinated with the instruments from the Chambers of Commerce, so that they are complementary.

UNIVERSITY OF EXTREMADURA, School of Economics

Created in 1973, the University of Extremadura (UEX) is the main public university in the region with campus in Cáceres, Badajoz, Mérida and Plasencia. It has more than 24.000 students in grades and other 8.000 in doctorates, courses or continuous training. There are 1.500 teachers and 800 staff (administration, technicians and services). In order to attend the necessities of the 21st century society, the UEX has established a Strategic Plan with five main strategic axes, which are:

1. Teaching-Learning
2. Research, Trensfer and Innovation
3. Management and Services for the university community
4. Financing, Transparency, Sustainability and Social Responsibility

5. Internationalisation

In order to meet the requirements of the SMEs in international commerce, UEX has developed a Master in Research in Economy, Management and International Commerce through the Faculty of Economic and Business Science. This Master offers the possibility of three different specializations:

- Creation of companies in a global framework
- International Economy and Legal Framework
- International Corporate Finance and Accounting

CHAMBERS OF COMMERCE OF BADAJOZ AND CACERES

The Chambers of Commerce were created in 1886 for the representation, promotion and defense/protection of the general interest of commerce and industry. They have a Department for Internationalisation and Abroad Markets and specialized sections also for Visa and Certifications and for International Consultancy.

CONFEDERACIÓN REGIONAL EMPRESARIAL EXTREMEÑA (CREEX)

CREEX (Regional Business Confederation in Extremadura) was established in 1985 to create a common representation instrument for the business network in the region. Nowadays over one hundred Business Associations participate in the Confederation through one of its three member organisations: COEBA in Badajoz and FEP and FEC in Cáceres.

ICEX EXTREMADURA

ICEX España Exportación e Inversiones is a national public business entity whose mission is to promote the internationalisation of Spanish companies to contribute to their competitiveness, as well as attracting foreign investments to Spain. It provides its services through a network of 31 Provincial and Territorial Directorates of Commerce in Spain and almost 100 Economic and Commercial Offices abroad. It also has 28 Business Centers abroad, which offer Spanish companies temporary infrastructure as incubators of internationalisation.

ICEX Directorate of Commerce in Extremadura supports the internationalisation of regional companies and entrepreneurs by the implementation of the state policy for external commercial promotion and the promotion of the investments of the regional companies.

EXTREMADURA ENERGY CLUSTER

The Energy Cluster is a business association (NPO) established in 2008 by the Regional Government of Extremadura, with the mission to promote the integration, creation and strengthening of the institutions and businesses that participate in the value chain of the energy sector, by cooperation and business innovation. The participation of the business fabric in the Cluster has passed from 26 to over 80 members. It counts with a Department for Internationalisation and Funding Search.

ENTERPRISE EUROPE NETWORK IN EXTREMADURA

The Enterprise European Network (EEN) is formed by nodes across the European countries and even further, over 600 member institutions in more than 60 countries and with 3.000 professionals. Some of their activities are to facilitate the contact among enterprises from different countries for business collaboration, technological offer and demand, technology transfer projects and search of partners for the development of European R&D projects.

FUNDECYT-PCTEX has been the node of EEN in Extremadura since 2008. It plays an important role in the region by bringing closer the European R&D to regional enterprises and regional R&D to other countries. It also organises commercial missions to other European countries for regional SMEs in coordination with Extremadura Avante.

III. METHODOLOGY

1. General positions

In order to have a wider overview of the regional ecosystem on internationalisation of the SMEs, two questionnaires were developed, one addressed to the regional Stakeholders and one, to the regional SMEs. This approach was developed with the aim of detecting gaps between the designed policies and instruments available in the region, and the needs of the SMEs to go international.

2. Methods for collection of the data

Methodolgy for SMEs

The method used by Fundecyt-PCTEX for collecting the data from the SMEs is a questionnaire designed by RAPIV and agreed by all partners of the consortium. The survey includes a total of 21 questions clasified into 5 main topics, which are:

- Details about the organisation
- Level of competitiveness
- Level of internationalisation
- Barriers for internationalizacion of SMEs
- Main driving forces for SMEs internationalisation

The results have been used to make the corresponding analysis, SWOT and conclusions.

The survey was made through Survey Monkey, sending the questionnaire to one hundred and fifty regional SMEs of all sectors and sizes. We received a total of 36 responses, 27 of them were valid questionnaires. (Valid questionnaires are those completely fulfilled.)

Methodology for Stakeholders

In the case of the stakeholders, the method used by Fundecyt-PCTEX for collecting the data was a structured interview that follows the questionnaire designed by RAPIV and aproved by all partners of the consortium. The interview includes 21 questions in total clasified into 5 main topics, which are.

- Details of the organisation
- Type of support for SMEs
- Support services for SMEs internationalisation
- Collaboration between SMEs and organisations, providing SMEs support for internationalisation
- Estimation of policy measures for SMEs support

The results have been used to make the corresponding analysis, SWOT and conclusions.

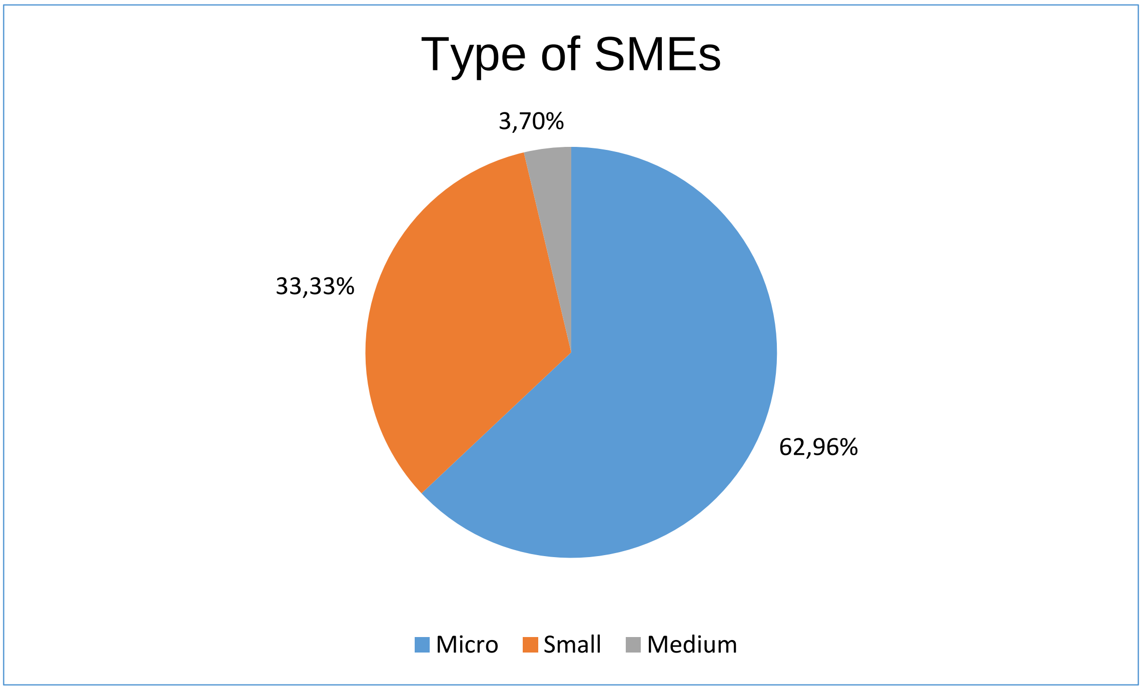
A total of six interviews were made to the main regional stakeholders, which are directly involved within the regional government structure or have their own support programmes and instruments.

IV. INTERNATIONALISATION SERVICES DEMAND. BARRIERS AND DRIVERS TO SMES INTERNATIONALISATION.

1. Survey

The survey was sent to one hundred fifty SMEs of different sectors in Extremadura. From all the responses received 27 are considered as valid questionnaires.

Almost 63% of the answers came from microenterprises and over 33% from small enterprises, which reflects the business reality in Extremadura. All defined sectors were represented, but Food and Beverages/Agrifood and ICT/Software and Consultancy Services had the higher percentage. This also confirms the stronger business sector in the region, which is Agrifood.

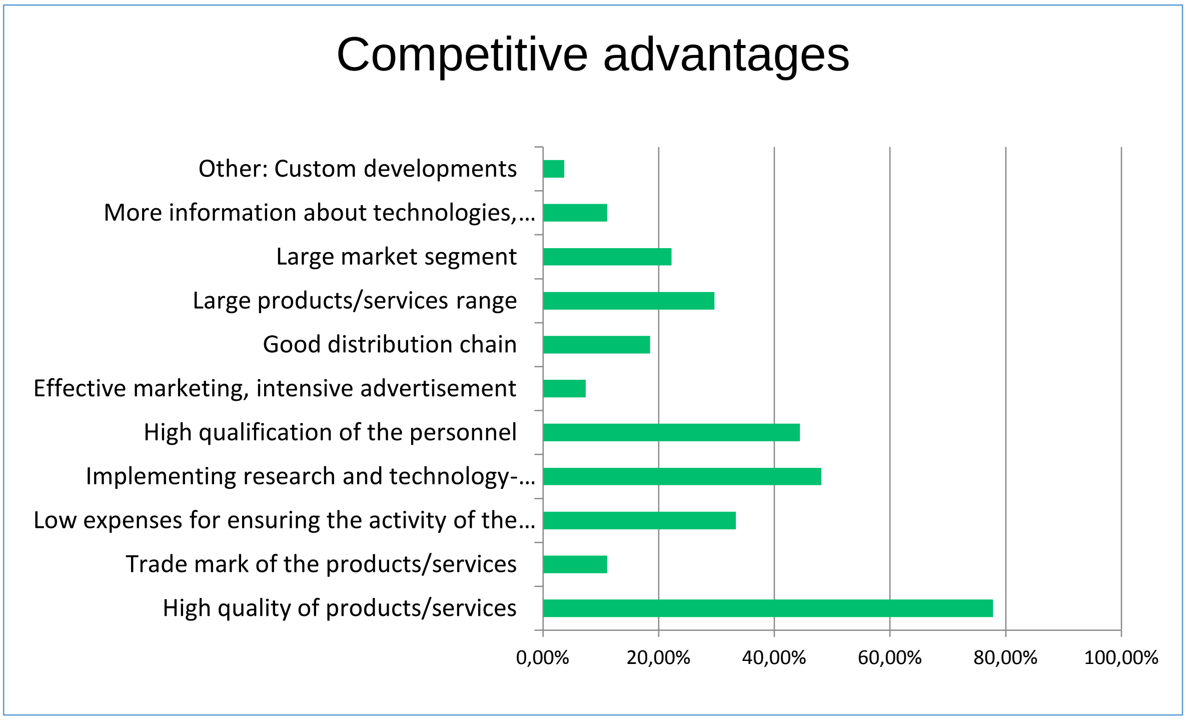


Due to the number of responses and the size of the sample, the obtained information has no statistic value but will is useful to extract some conclusions and compare them with the macro data of the region in terms of internationalisation of the SMEs.

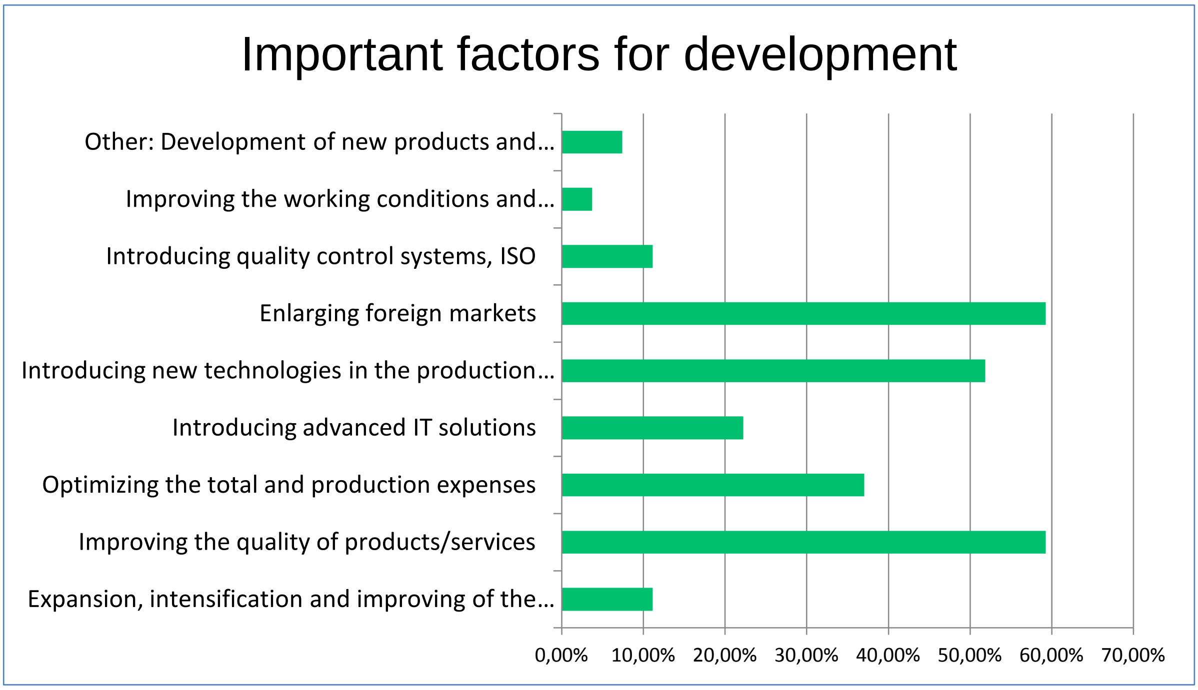
Level of Competitiveness

In order to explore the level of competitiveness of the regional companies, they were asked to look at themselves in comparison with the competitive companies in their sector.

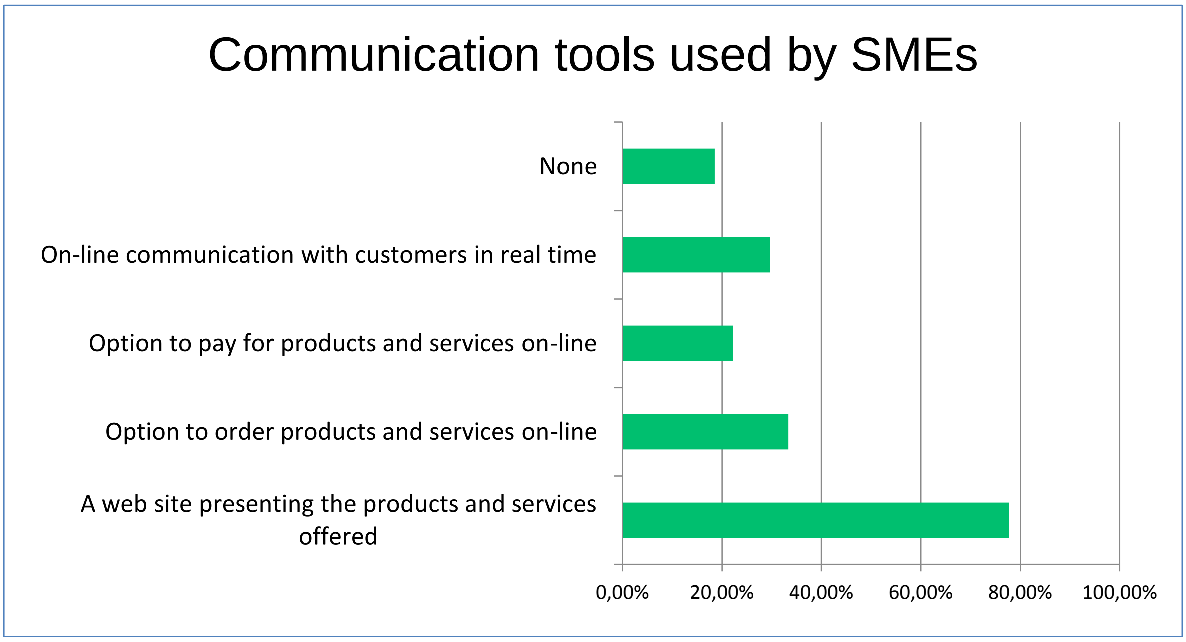
On this regard, most of the companies consider the high quality of their product or service as the most important competitive advantage. Over half of them also add as a competitive factor the high qualification of the personnel and the low expenses for ensuring the activity of the company. Just a minority considered that custom development, effective marketing and trade mark of products or services are key factors of competitiveness.



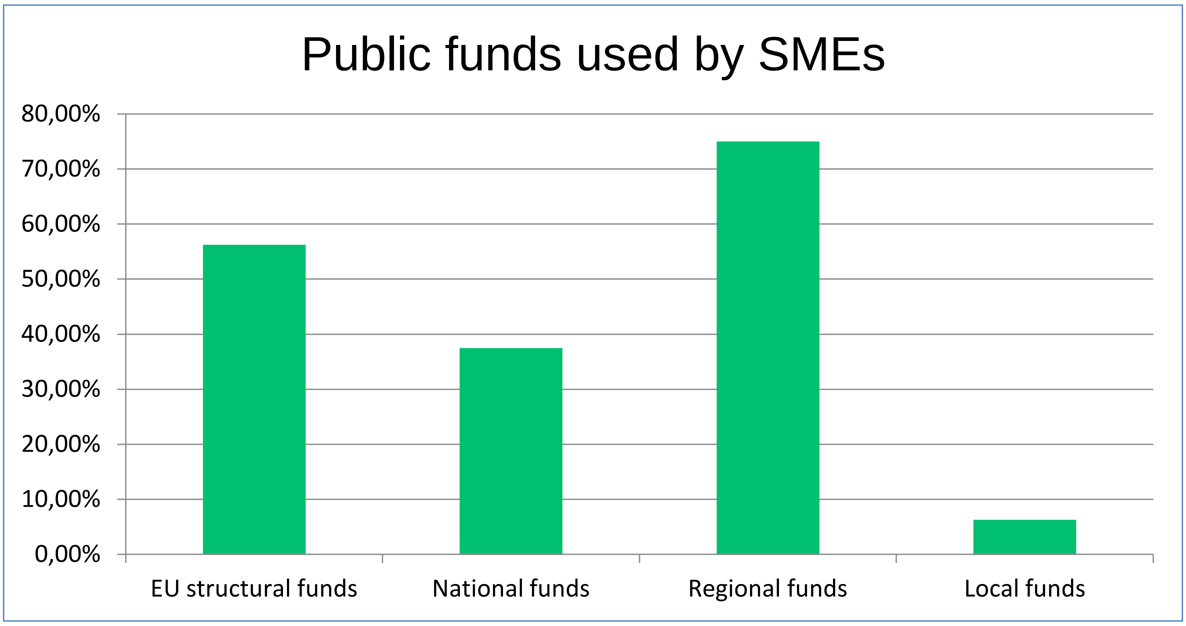
This can be the reason why most of them invest mainly in improving the quality of product and services to ensure a high competitiveness. The enlargement of new markets and the introduction of new technologies in the products or services are also considered important factors for competitiveness.

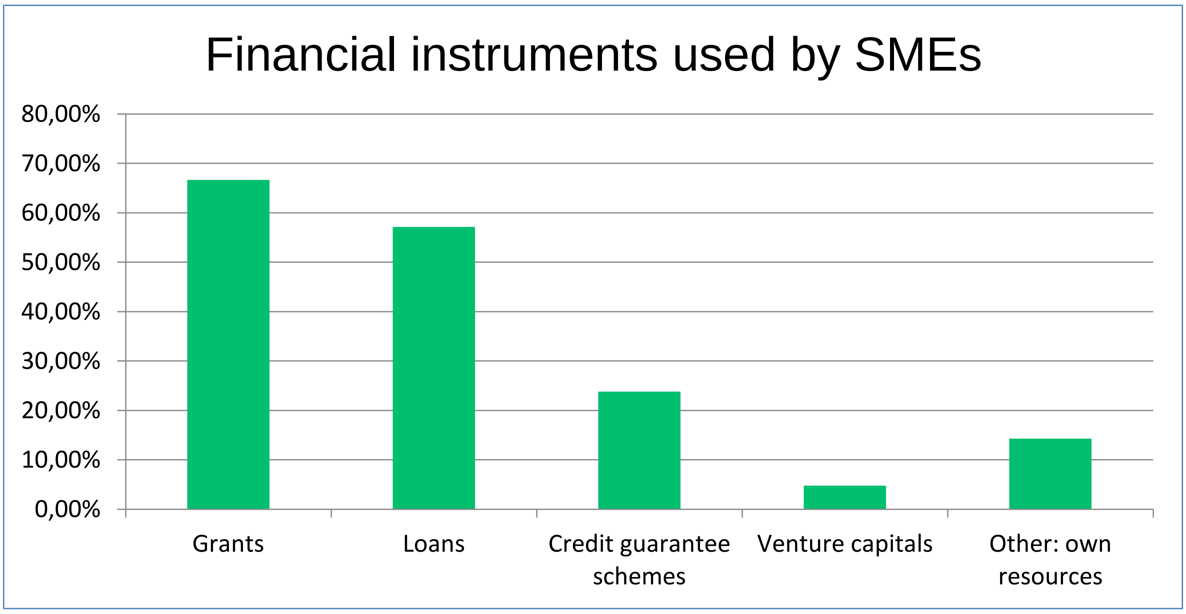


As seen in the "competitive advantages" graphic, most of the SMEs do not find effective marketing as a main competitive factor, what can explain why almost 20% don't use any of the mentioned communication tools. On the other hand, over 80% of the companies have a website but the incidence of on-line shopping is still very low.



When looking for funding, companies benefit mainly from regional funds and EU structural funds, in form of grants and loans, which are the most common within the regional framework, instead of credit guarantee schemes or venture capital. These results show how important are for the SMEs the regional policies and instruments designed especially for them.





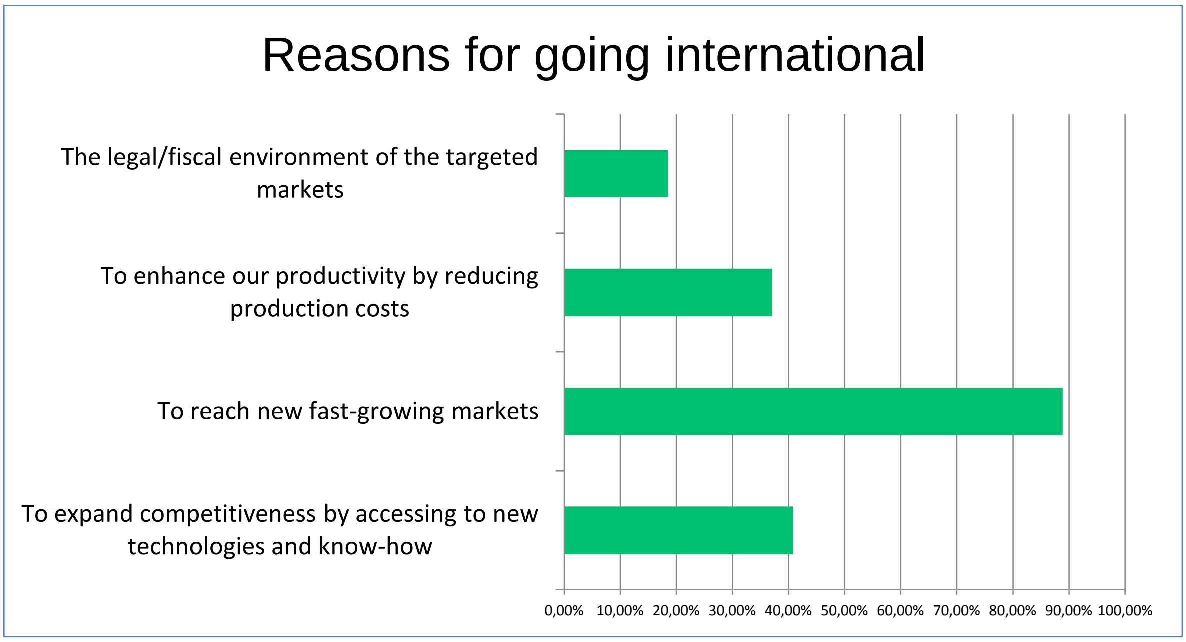
Level of internationalisation

This topic pretends to explore how the regional enterprises afford their access to foreign markets from an internal point of view.

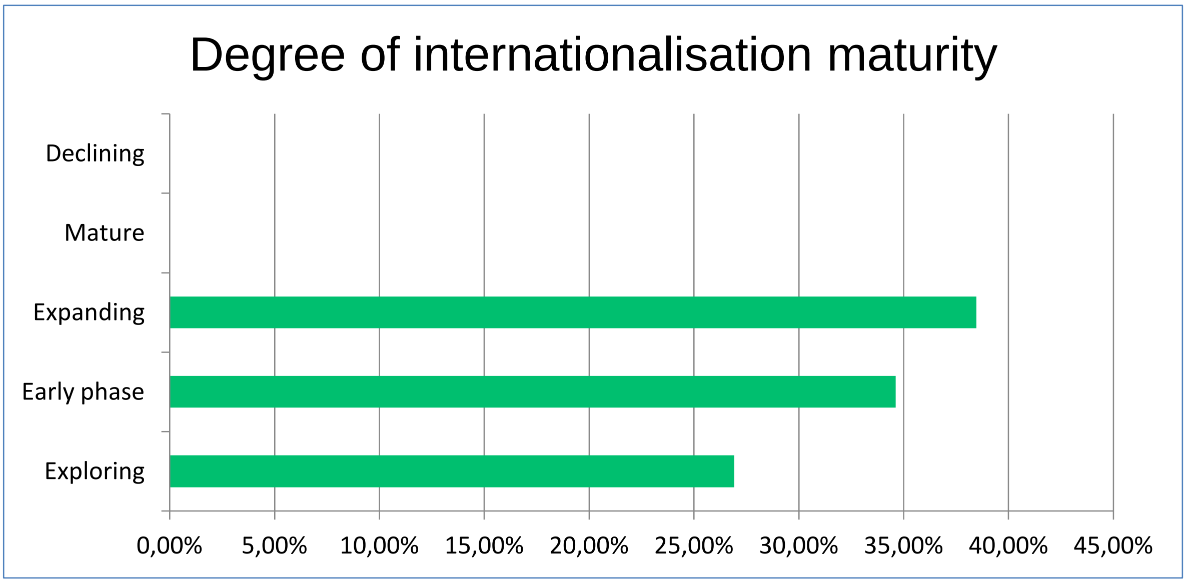
Regarding the strategic approach of SMEs to internationalisation, 64% of the companies that answer the questionnaire indicate that they have a define strategy to access new markets.

It is surprising to observe that although 36% of the survey respondents don't have an internationalisation strategy they are already developing internationalisation activities. This is a relevant result as it is linked with other subjects of the questionnaire, such as the degree of internationalisation maturity.

Wether or not the SMEs have an internationalisation strategy, 90% of the SMEs that answered the questionnaire go international in order to reach new fast-growing markets as one of their main reason. Another strong reason stated by SMEs is to expand competitiveness by accessing to new technologies and know-how.

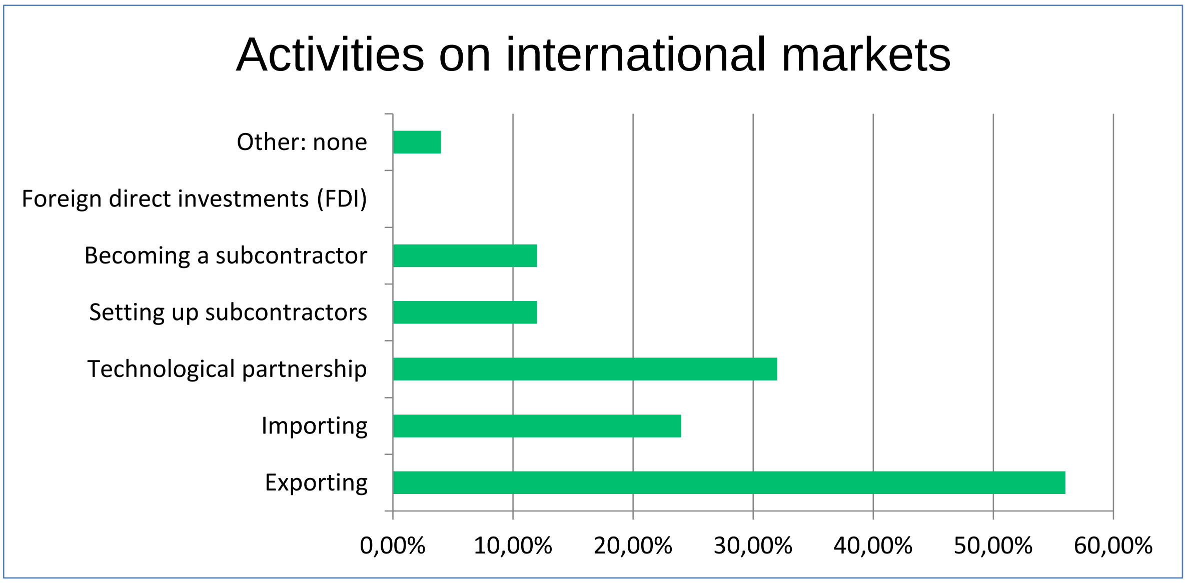


Previous answers can also explain why none of the survey respondents think that its degree of internationalisation is mature or declining. It is easy to see how our regional companies are still in early stages or expanding their internationalisation activities.



When asked if the qualification of the management and the personnel of the SME is adequate to develop international activities, almost 70% of the SMEs have stated to have qualified staff.

In terms of activities performed by the SMEs on international markets, most of the answers stated "Exporting / Importing" and "Technological partnership" as their main activities. Activities related to become a subcontractor seem to be less frequent among SMEs.

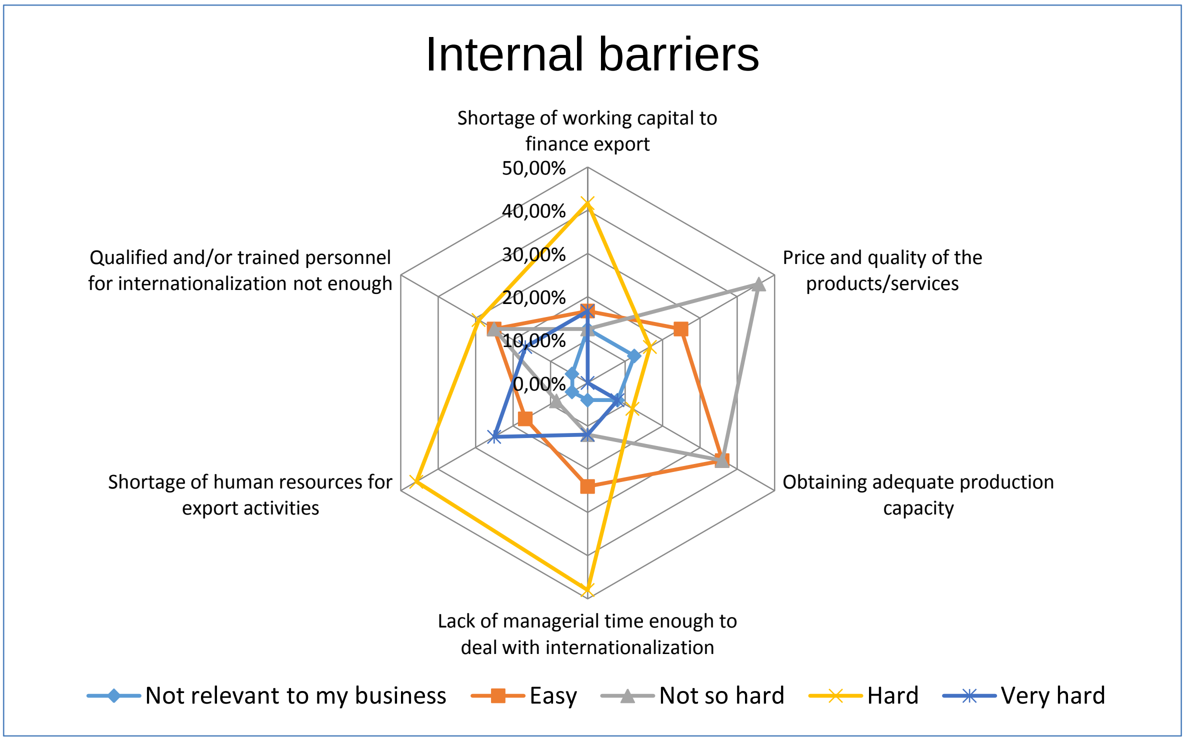


With regard to the collaboration between SMEs and Support Institutions, the regional administration, mainly through Extremadura Avante, and the Chamber of Commerce are the most required institutions for internationalisation support.

Barriers for internationalizacion of SMEs

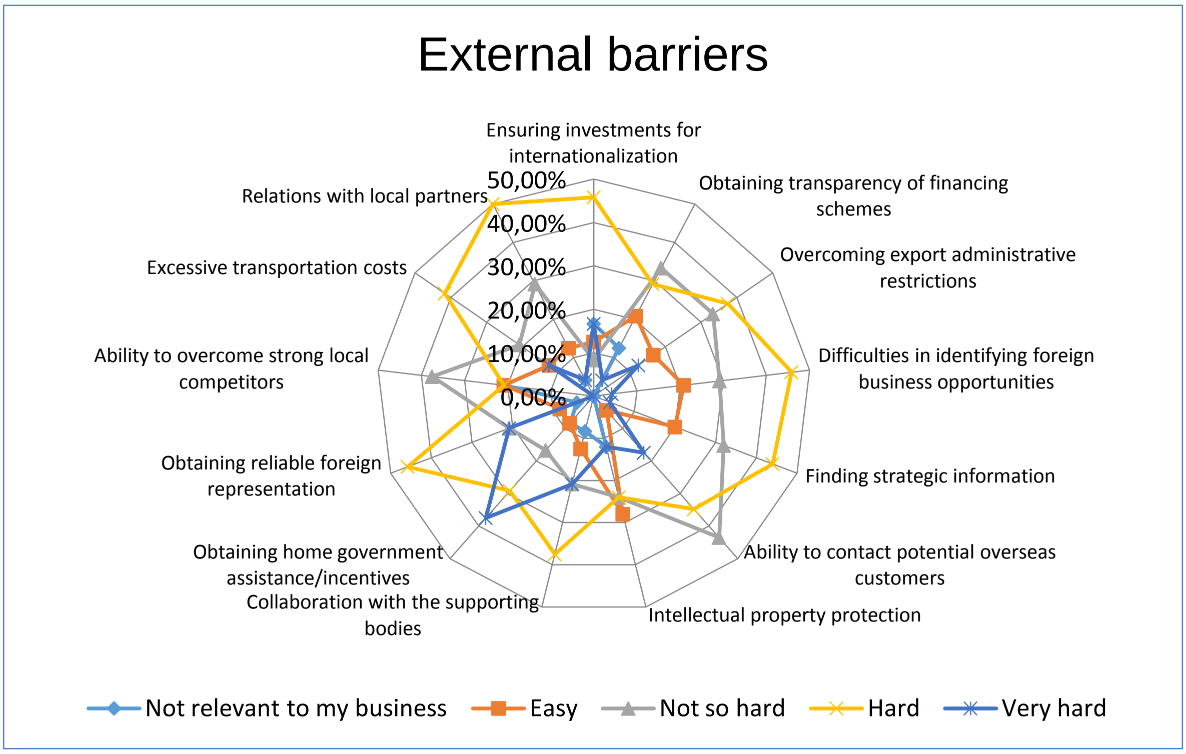
This chapter pretends to outline the internal and external barriers faced by the SMEs when developing internationalisation activities.

When analysing the internal barriers, the hardest obstacles for most SMEs are the shortage of human resources for export activities and the lack of managerial time to deal with internationalisation activities. Both barriers are linked with previous results of the questionnaire: most regional SMEs are very small sized, what can affect not only the availability of qualified staff for internationalisation activities but also the availability of time to perform those activities.



When analysing the external barriers, the hardest difficulty identified by the SMEs is to obtain home government assistance or incentives, what might be explained by the complexity of the administrative processes for companies with limited human resources and time.

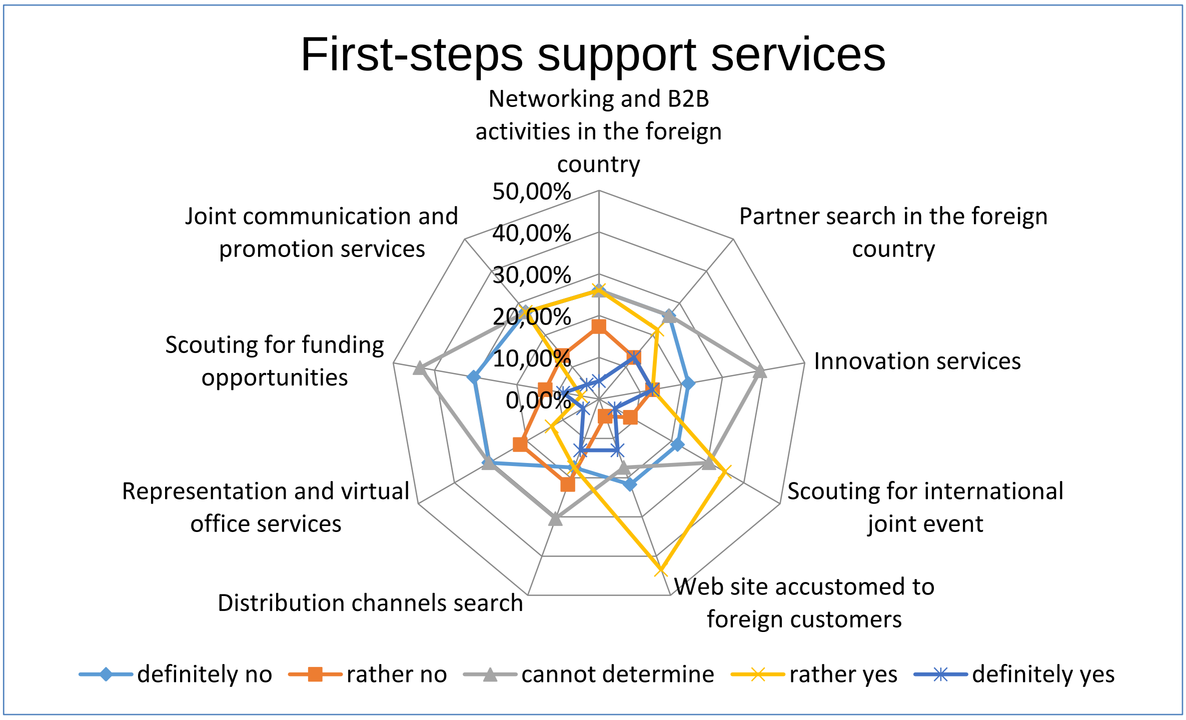
Moreover, obtaining reliable foreign representation, the difficulty to ensure investments for internationalisation, or esblishing relations with local partners follow closely as important external barriers faced by SMEs.



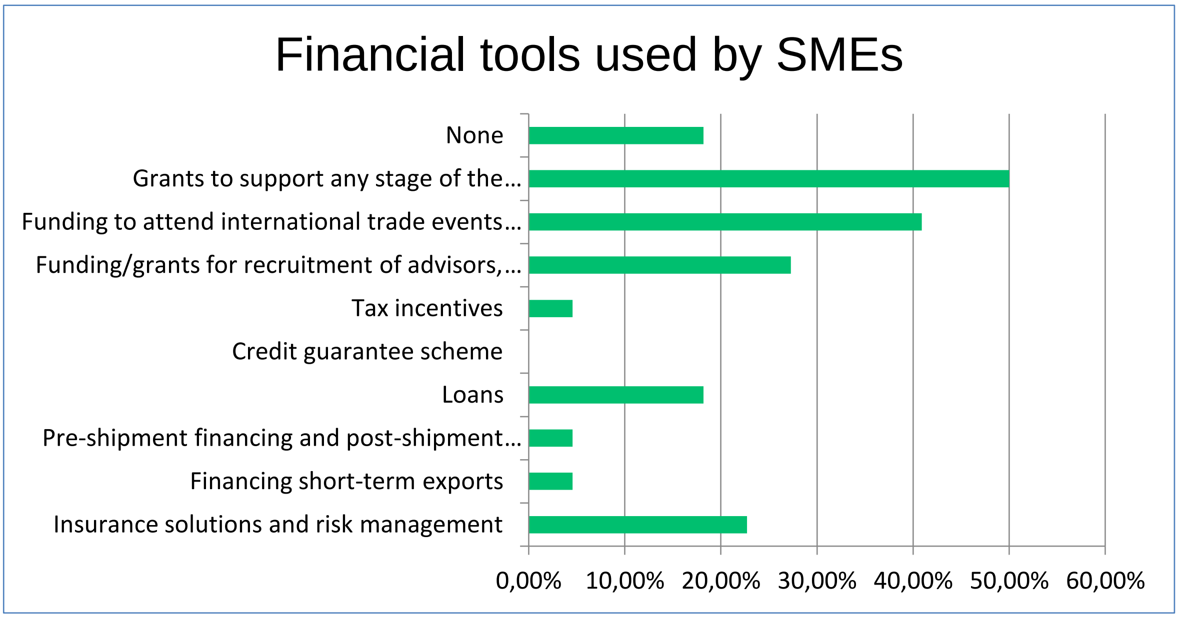
Main driving forces for SMEs internationalisation

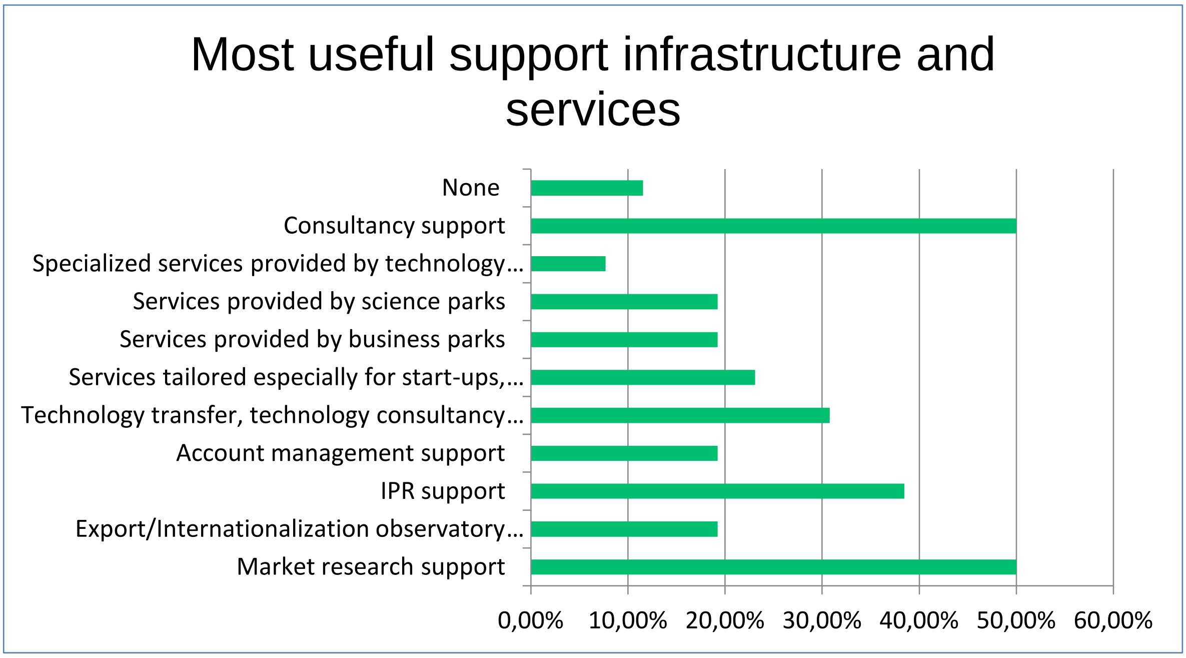
The last group of questions pretended to show which support tools for internationalisation are more used and useful for regional SMEs, and therefore a driving force for their internationalisation.

According to the SMEs, the most valuable services that supported their first steps on new international markets are: the adaptation of the web site foreign customers, and scouting services for international joint events. Other well valued services are innovation services and partner search in the foreign countries.

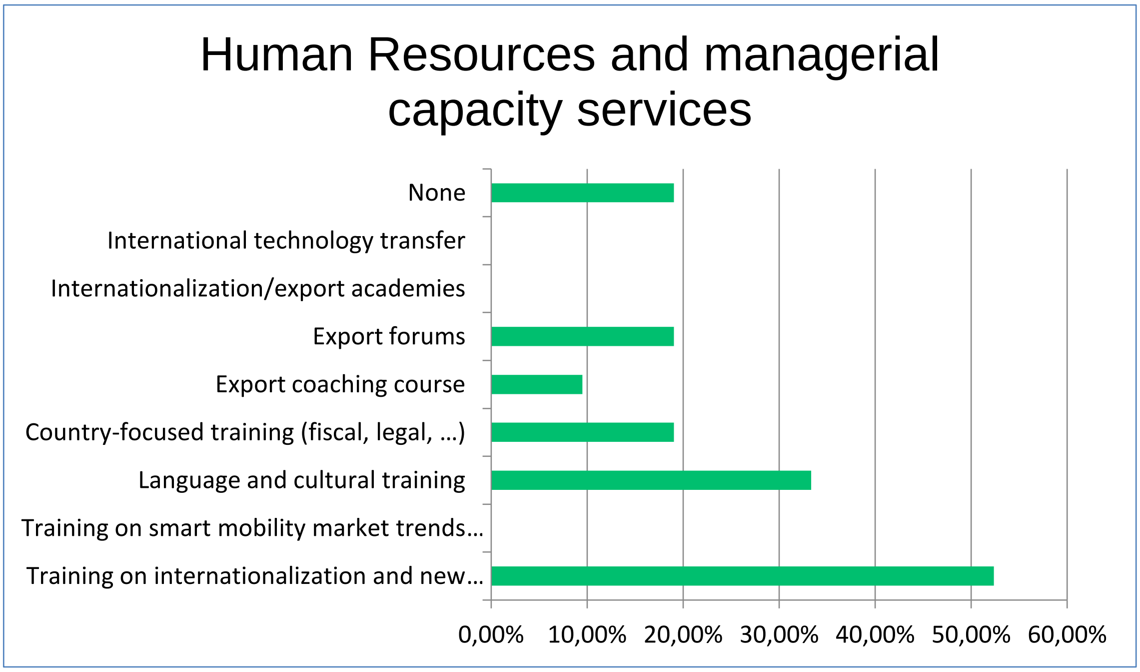


Regarding the financial tools used by regional SMEs, grants at any stage of the internationalisation activity and funding to attend international trade events and exhibitions are the most used. Along the same lines, SMEs consider consultancy and market research support as the most useful internationalisation support.

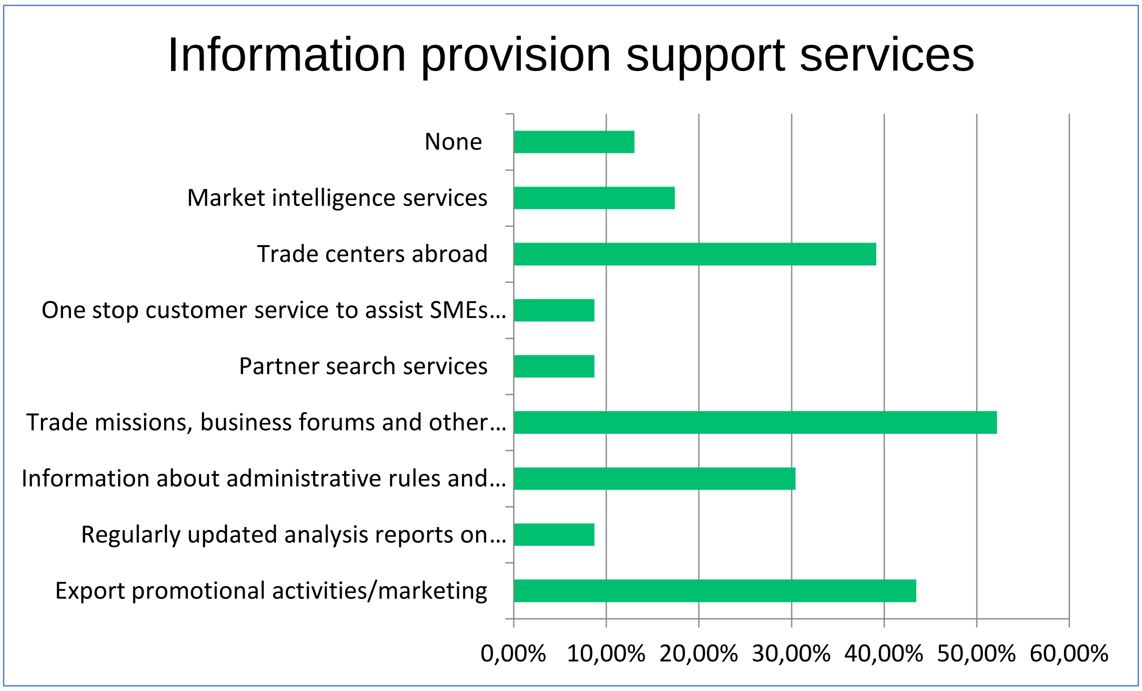




In relation with the availability of qualified staff, which is one of the main internal barriers detected, training on internationalisation and new market entry strategy is the service with higher demand. Specific training for internationalisation activities seems to be one of the most important support instruments for the companies in Extremadura.



Finally, regarding the services related with the provision of information regarding internationalisation, the majority of SMEs have used trade missions, business forums and other promotional events and export promotional activities/marketing.



2. Results from the survey

Although the number of responses gathered does not provide sufficient data to draw conclusions of any statistical value, it allows drawing some trends regarding the behaviour of the SMEs when facing new markets.

Most of the companies in Extremadura are micro or small sized enterprises. This fact might be an inconvenient for establishing a solid internationalisation strategy, as they have few staff and a lack of time to face new challenges.

Over a third of the SMEs that answered the survey do not have an internationalisation strategy but they are yet in the way of internationalisation. This can be the reason why they find more difficulties on the path to internationalisation.

High quality of products and services are the biggest advantage identified by SMEs to go international. However, not enough attention is paid to the communication tools, especially on-line services, which can be a decisive factor for selling abroad. Many of them do not have enough qualified staff to answer the needs of foreign markets and customers.

Regional SMEs use the regional financial tools available, preferring grants and loans, and information services, both from the Regional Administration (including the Business Support Organisations such as Extremadura Avante) and from the Chamber of Commerce.

Especially difficult is to find reliable foreign representation and to ensure investment from internationalisation that is why SMEs consider consultancy and market research as the most useful internationalisation support services.

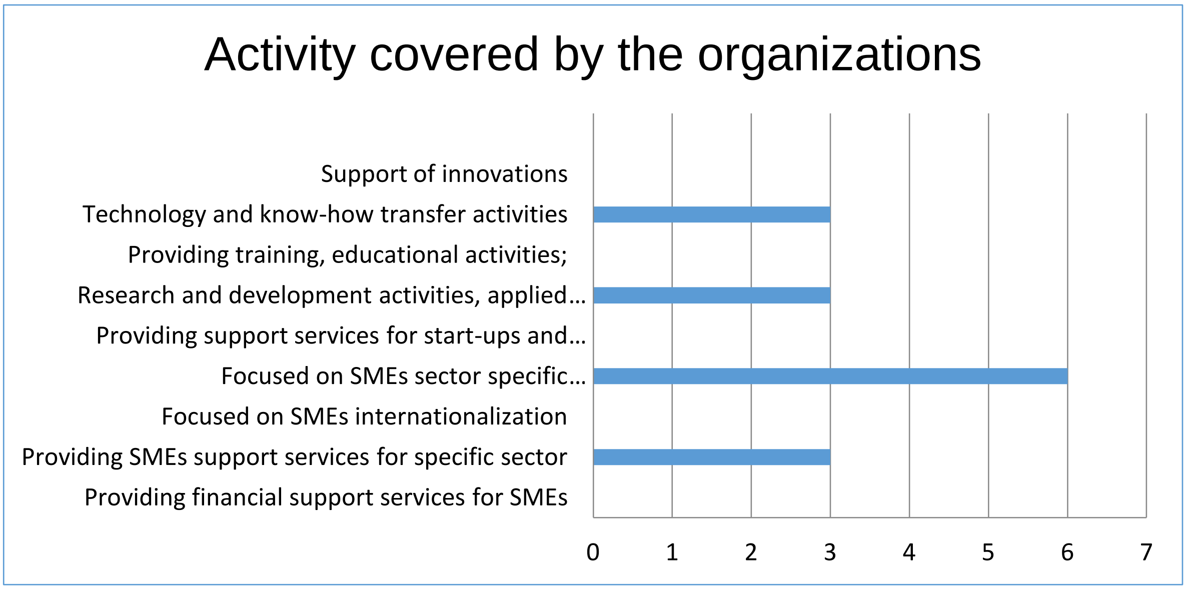
V. MEASURES OFFERED BY NATIONAL/REGIONAL STAKEHOLDERS IN THE SPHERE OF SMES INTERNATIONALISATION SUPPORT

1. Survey

In order to analyse the measures offered at regional level, several interviews and meetings were made to regional stakeholders directly involved in the design and/or implementation of internationalisation policies or instruments for SMEs in the region.

Type of support for SMEs

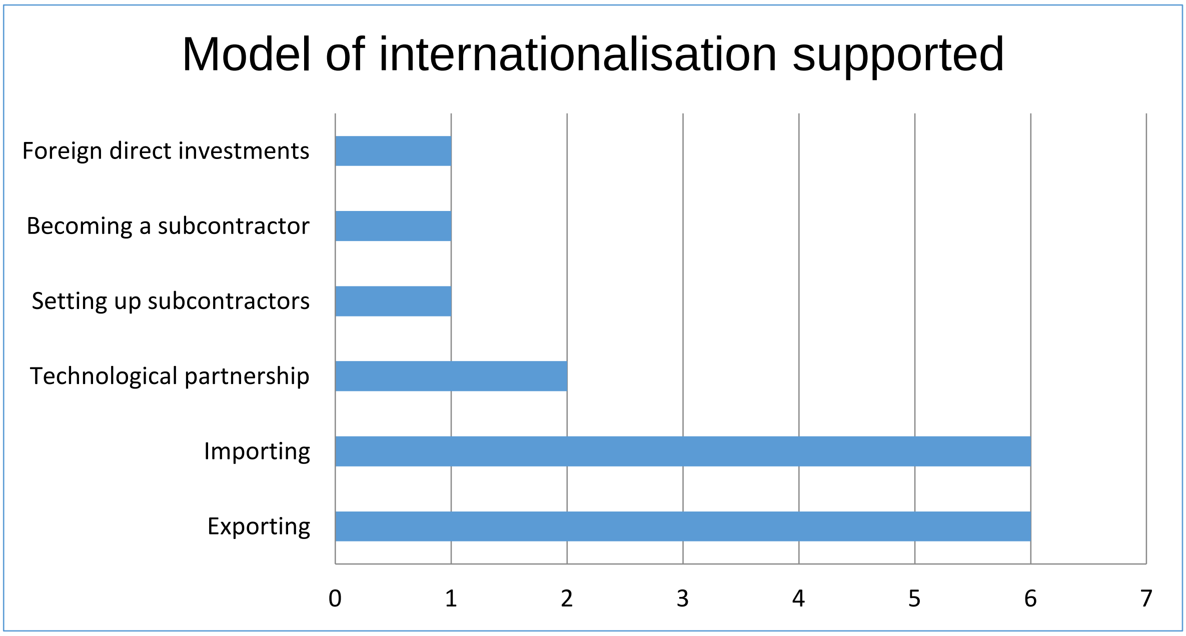
All the interviewed stakeholders are focused on SMEs internationalisation, wether by providing training at different levels or support services to SMEs in their different stages.



Support services for SMEs internationalisation

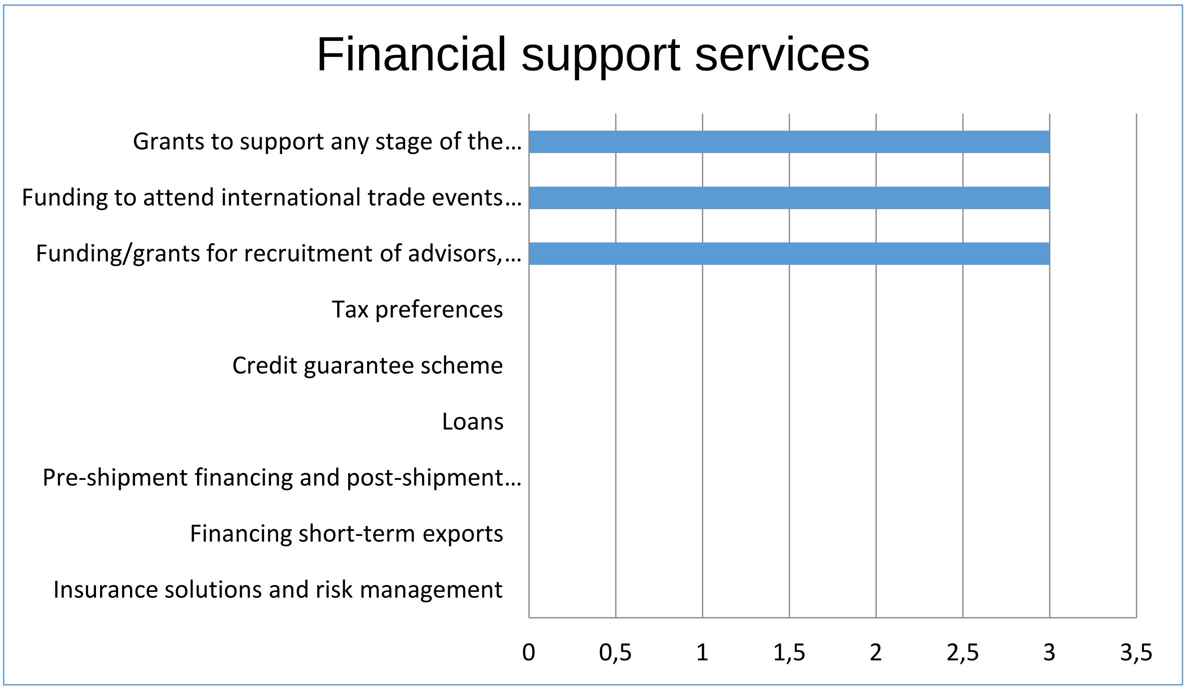
In order to have an overview of the regional ecosystem for internationalisation, the regional stakeholders were asked about the support services they offer.

All the stakeholders support Exporting and Importing activities at regional level, which are the most demanded by the SMEs. Other support is given in relation to foreign direct investmen, technological partnership, etc., although mainly by public entities.

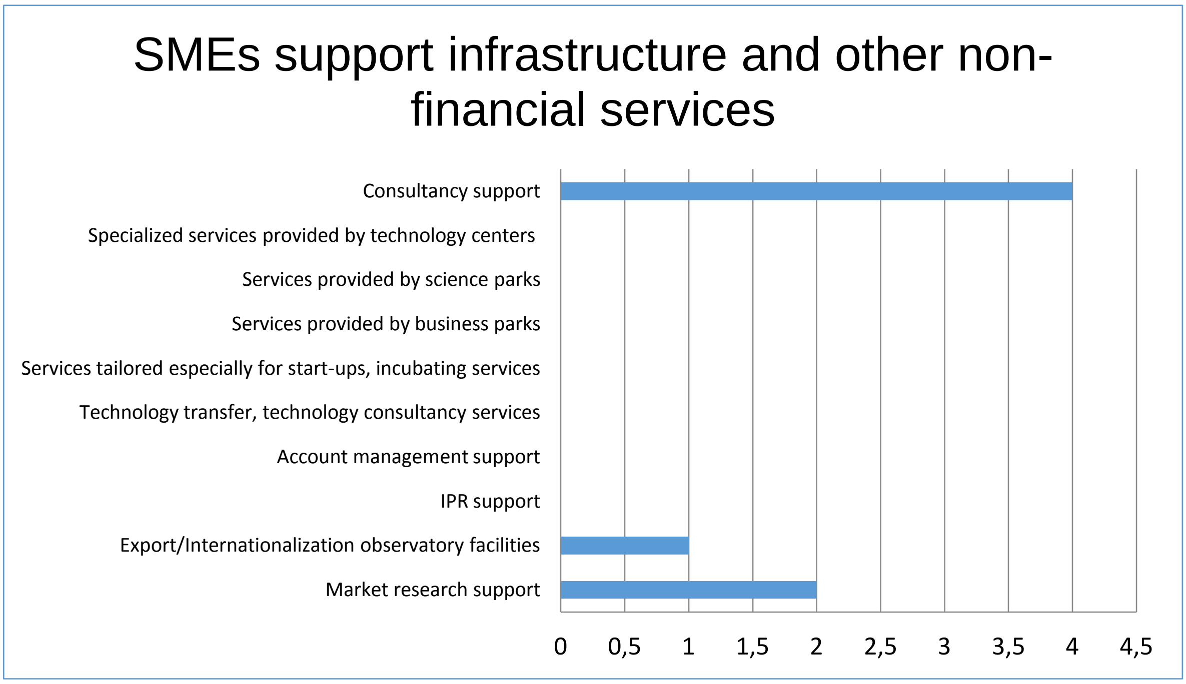


Moreover, stakeholders were asked about what kind of internationalisation support services they provide to SMEs, regarding aspects such as financial support, non-financial services, human resources and information provision.

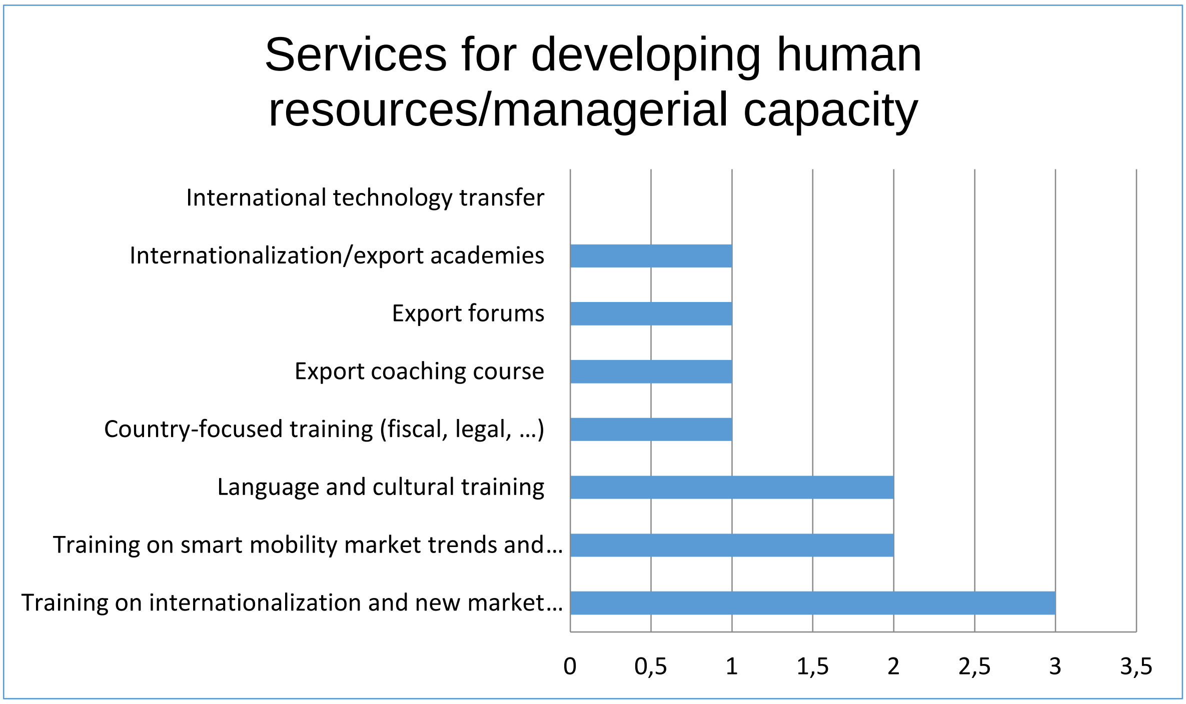
About the type of financial support services, half of the entities provide grants to support any stage of the internationalisation activity, which is very important not only for first steps stages, but also for consolidating the presence of the SMEs in foreign markets. The same occurs with funding to attend international trade events and exhibitions, and for recruitment of advisors, researchers, accountants as qualified staff is a need especially for micro enterprises.



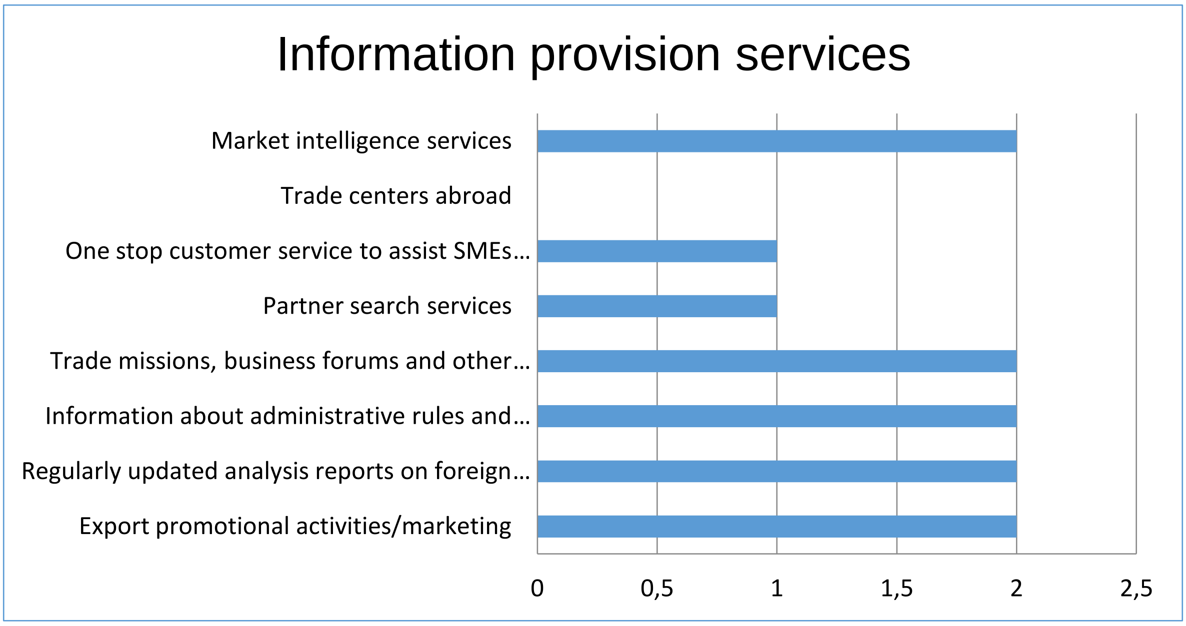
There are other support instruments focused on the provision of consultancy, market research and export/internationalisation observatory facilities, which complement the above mentioned.



In Extremadura, SMEs can also find support on the development of human resources and/or managerial capacity through activities such as training on internationalisation and new market entry strategies, on market trends and opportunities or language and cultural training. These instruments increase the qualification of the staff involved in internationalisation activities.



All the offered services and instruments are provided through a variety of channels, such as export promotional activities/marketing, regularly updated analysis reports on foreign markets and information about administrative rules and regulations among others.



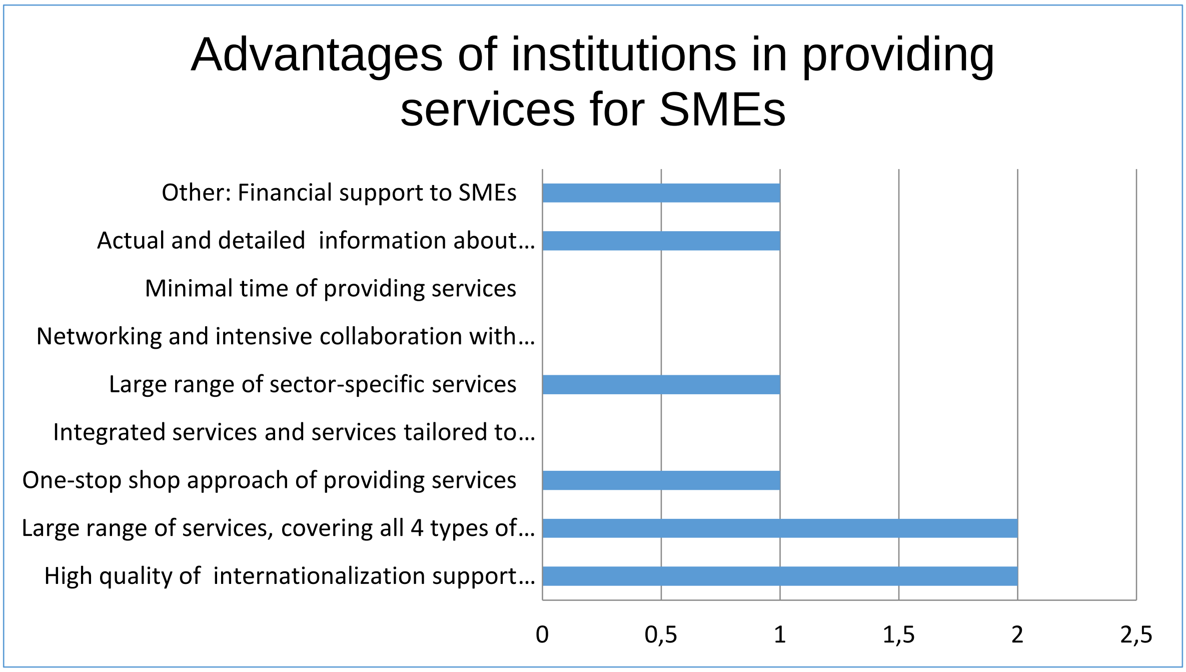
To sum up, upon the stakeholder answers, the most used services used by regional SMEs in order to access to international markets are:

- Grants so support any stage of the internationalization activities
- Consultancy support
- Training on internationalization and new market entry strategy

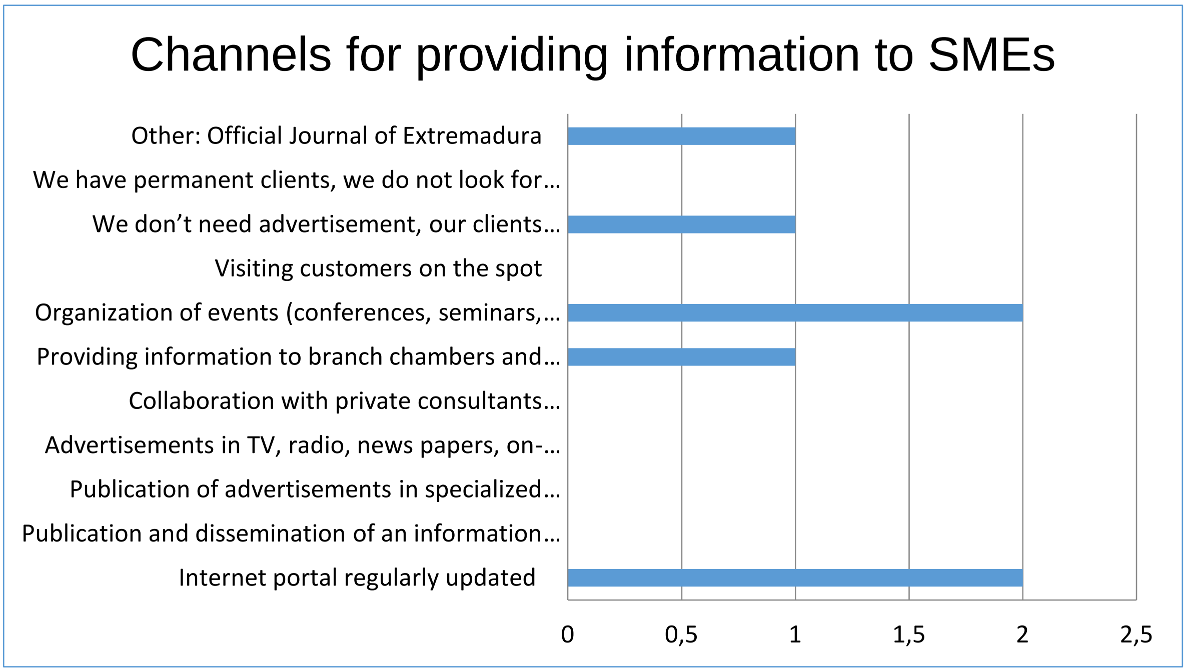
Collaboration between SMEs and organisations, providing SMEs support for internationalisation

This topic aims to explore from the stakeholders point of view, how they perceive their relations with regional SMEs.

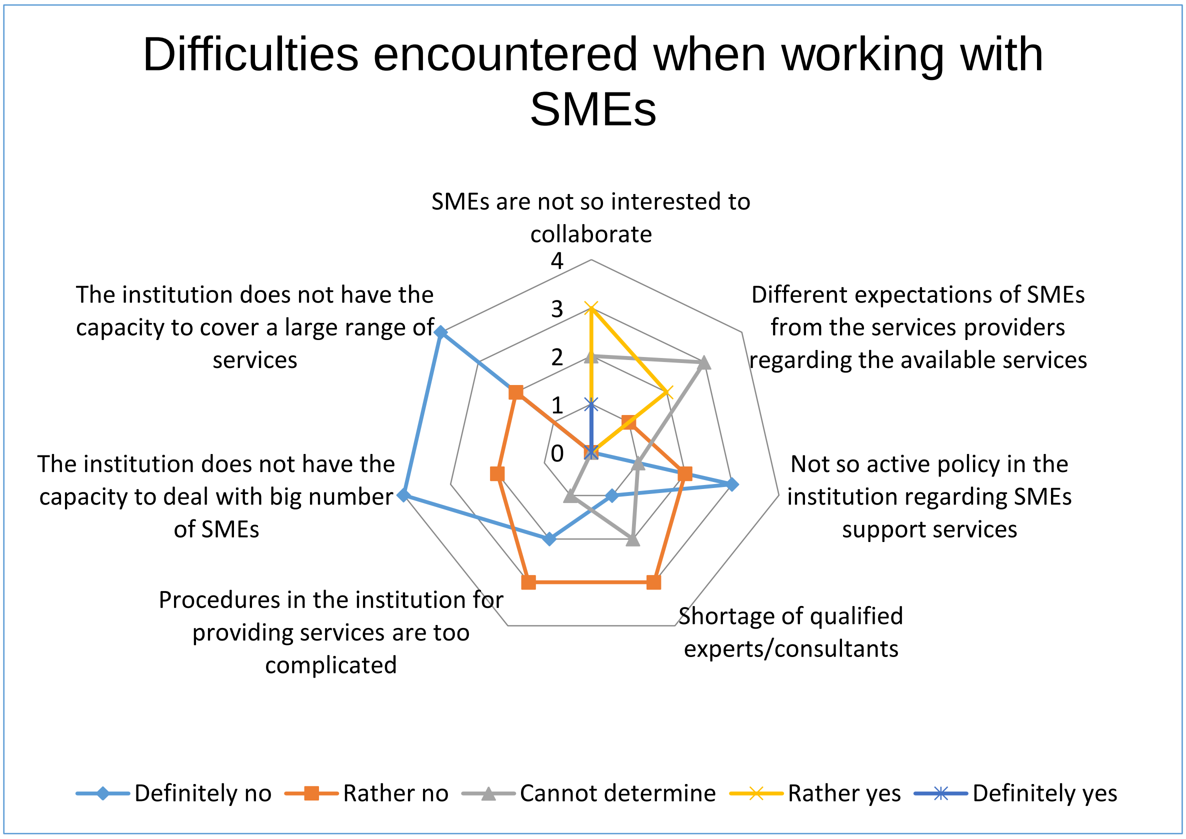
The participating regional institutions consider that the biggest advantages of their support services for SMEs internationalisation are the large range of services, covering all 4 types of support for SMEs internationalisation and the high quality of internationalisation support services offered.



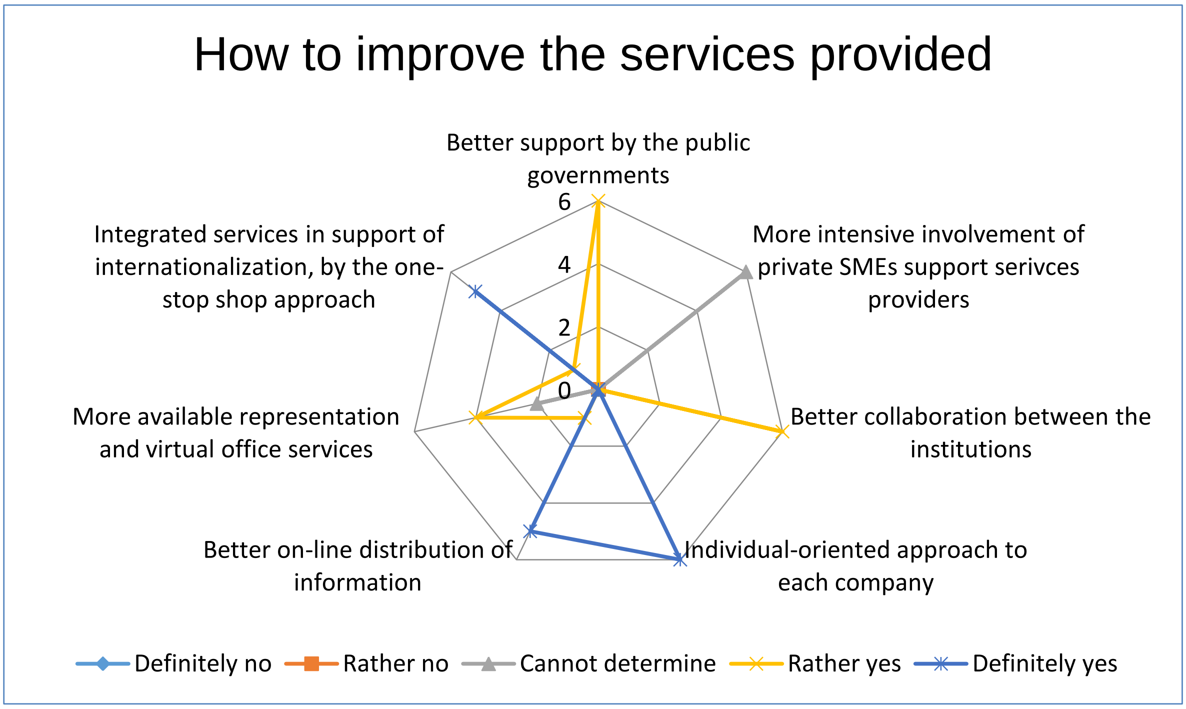
The most used communication channels to provide information to customers or SMEs are an up-dated Internet portal and the organisation of events, although they also use other instruments. The communication strategy could be improved by using other ways of providing information.



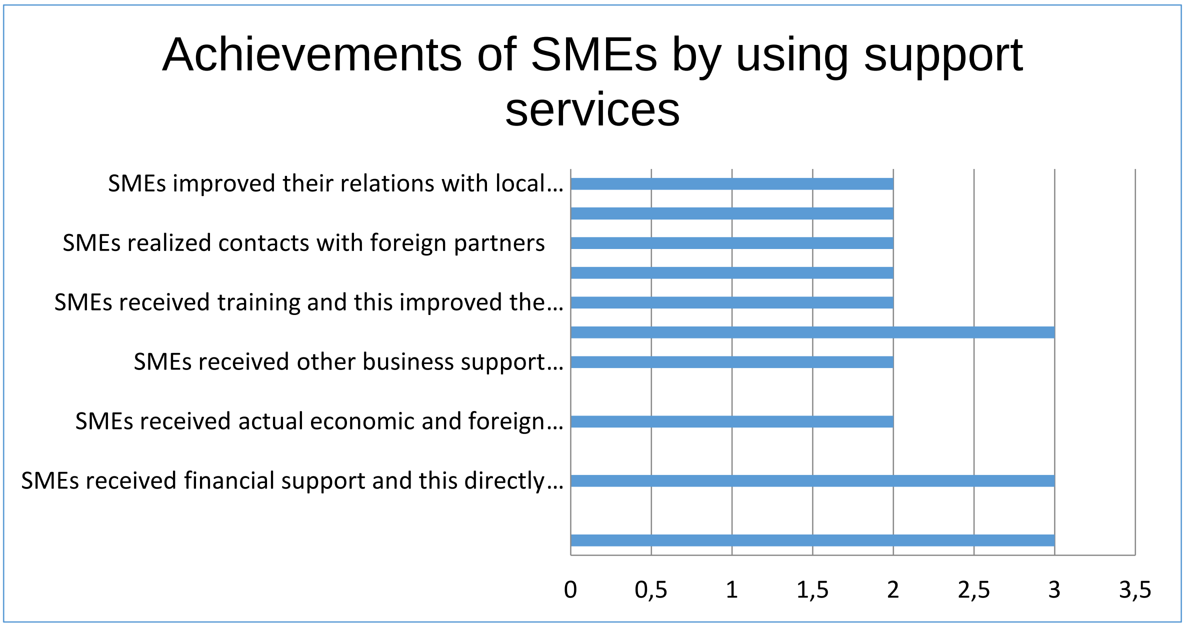
When working with SMEs, regional stakeholders find more difficulties when they don't have the capacity to cover a large range of services or to deal with a big number of SMEs, what can be considered as a weakness.



Following this issue, when asked about how the services for SMEs internationalisation support could be provided more effectively, most of the Stakeholders give a special importance to provide integrated services by the one-stop shop approach. Another key element to better provide services is an individual-oriented approach to each company.



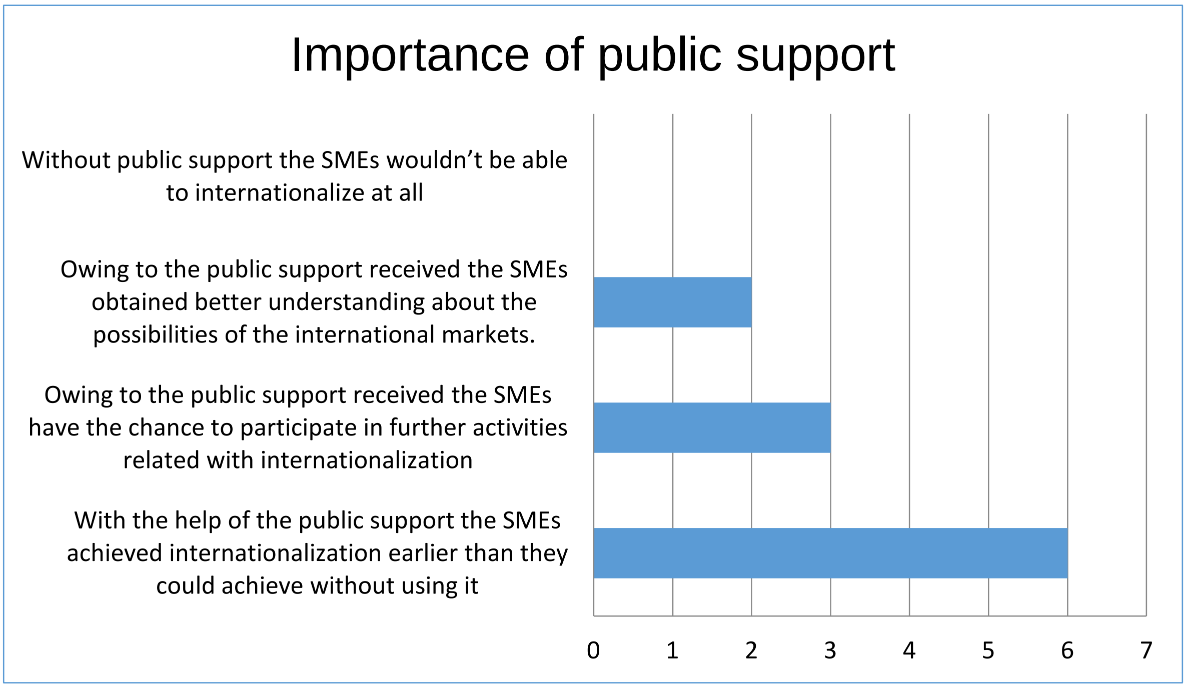
Finally, as a result of their support, SMEs achieve different results. The more significants are that managers of SMEs improved their attitude to internationalisation because of trainings, courses, mentoring sessions, etc and that when SMEs receive financial support, this directly helps their internationalisation.



Estimation of policy measures for SMEs support

Finnally, stakeholders were asked to asses the services provided. On this matter, all of them agreed in the importance of public support to SMEs as a mean to achieve international markets earlier than they could achieve without using it.

Also it is seen the public support as an opportunity for SMEs to participate in further activities related with internationalisation.



The region also participates in other public support programmes such as programmes for entrepreneurship development, innovations, competitiveness of SMEs (for example mentoring of entrepreneurs, innovation technologies for management systems in SMEs, environmental innovations and better using of information and communication technologies) and programmes for interregional and trans regional cooperation, among others.

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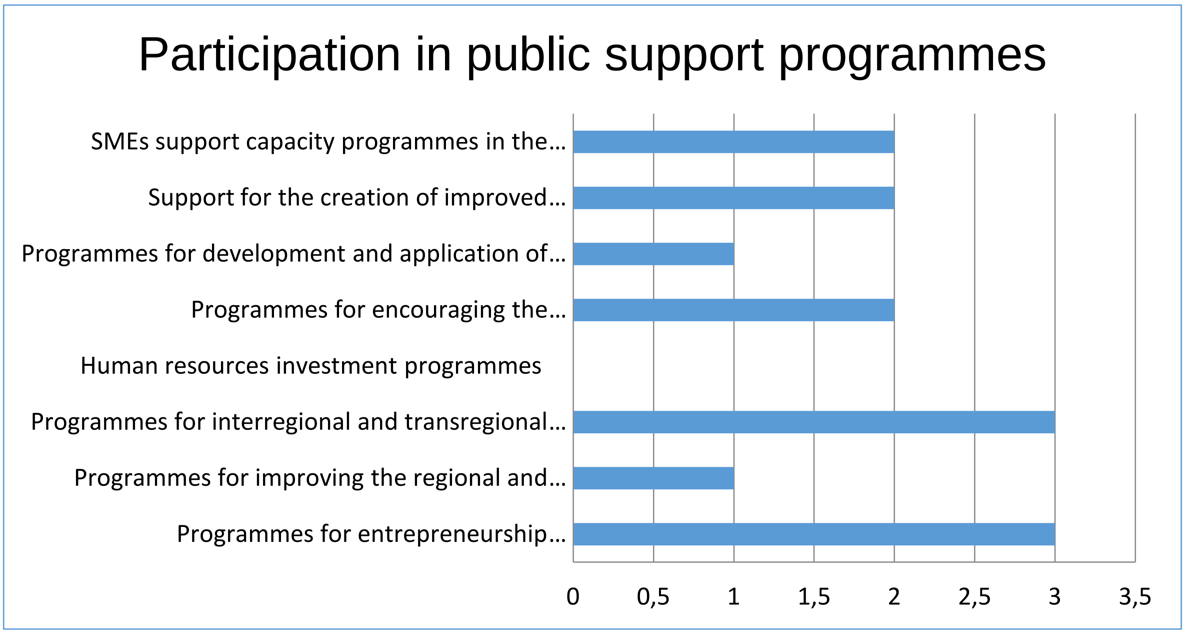

2. Results

The regional business ecosystem evidences a good public-private collaboration, mainly due to the fact that the Regional Government, Extremadura Avante and the Chamber of Commerce work co-ordinately in order to reinforce their instruments. With their financial tools they respond to the main needs of the SMEs, referred in the previous chapter.

The information provided to the companies on analysis reports on foreign markets and administrative rules and regulations seem to be appropriate. The information channels are sufficient, but might be improved.

The regional stakeholders consider as a strong asset the fact that they offer a wide range of internationalisation tools and support services to regional SMEs. However they still identified some aspects to be improved, mainly focused on:

- a better on-line distribution of the information provided to the SMEs,
- individual-oriented approach to attend specific needs or demands of the SMEs,
- and continuing working on a one-stop shop approach to deliver integrated services to SMEs.

VI. SWOT ANALYSIS

SMEs

STRENGHTS	WEAKNESSES
• High quality of products, mostly in the agri-food sector • Existence of internationalisation strategies • Experience in foreign markets	• Shortage of Human Resources for export activities • Lack of managerial time to deal with internationalisation • High number of micro SMEs • Lack of ICT tools for e-commerce
OPPORTUNITIES	**THREATS**
• Wide range of instruments to support internationalisation • Availability of specific training for human resources • Emerging niche markets of High Quality and/or /Gourmet products • Closeness to our main export/import market (Portugal) • Use of ICTs tools for opening new markets	• Lack of skilled people • High dependence on public funds • Existence of companies with similar products or services • Existence of companies with more innovative products or services • Deficient freight transport infrastructures that limit the access to foreign markets

STAKEHOLDERS / INSTRUMENTS

STRENGHTS	WEAKNESSES
• Existence of a regional policy for the internationalisation of SMEs • Cooperation among stakeholders • Highly qualified staff providing services and advice to SMEs • ERDF for internationalisation activities at least until 2023	• Huge amount of information might confuse users • Administrative burden for SMEs • Lack of instruments for specific sectors
OPPORTUNITIES	**THREATS**
• Improvement of the one-stop shop concept • R&D infrastructures available at regional level • Development of tools oriented to the needs of specific sectors	• Cut-off European public funds • Shortage of the business network at regional level • Economic changes or crisis at global level

VII. MAIN CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis done in order to elaborate the State of Affairs of the Internationalisation Support in Extremadura region, several aspects may be highlighted:

- Extremadura is a region with a **limited business network** based on micro and small SMEs, a low population density and a large territory, with an economy strongly linked to the tertiary sector and an industrial sector mainly related to the agri-food industry.
- As Extremadura is a border region with Portugal, this **proximity** offers our companies an opportunity as a starting point for their internationalisation activities.
- Regional SMEs have a wide range of **support** instruments provided by the Regional Government and other stakeholders for internationalisation activities.
- The Government of Extremadura also provide to the SMEs **R&D** services that might complement the internationalisation tools, helping SMEs to be more competitive in foreign markets.
- The **RIS3 strategy** of Extremadura has identified five main economic areas but public internationalisation support instruments are not specifically oriented towards them, which could be an important boost for the regional SMEs' potential of these sectors.
- Although there are several **cluster associations** in the region, none of them offer specific internationalisation services for members or joint actions in foreign markets, with the exception of the Energy Cluster.
- The **coordination** among regional stakeholders in order to design and program their support instruments facilitate the complementarities among institutions and avoid unnecessary duplicities. This is important as the range of instruments becomes wider.
- The lack of managerial time to deal with internationalisation can be a barrier, but an **internationalisation strategy** can become a useful tool for micro SMEs to optimise the efforts. Several instruments are offered at regional level, such as consultancy services to help managers to design the better strategy for their products or services and an

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instrument to hire an internationalisation expert, instruments that can overcome the needs of SMEs.

- The University of Extremadura (Master in Research in Economy, Management and International Commerce) and the Regional Ministry of Education (Vocational Training of Higher Education in International Commerce) provide official degrees on International Commerce. However most SMEs still have the difficulties to find **qualified staff** to develop the activities to access new markets. On this regards, SMEs can access to several regional instruments for specific training, such as Formacoex and Transversal Services provided by Extremadura Avante.

- It is important to increase the **use of ICTs** in the internationalisation process of the regional SMEs, starting with a multilingual website (ie. Spanish-English-Portuguese) with e-commerce options, as initial steps to access foreign markets.

- Although the range of internationalisation tools is wide and covers the main needs of the regional companies, **customized tools** for each sector may be considered as an aspect to be improved. The introduction of new financing tools as **Venture capital** formula could also be an improvement in the regional support system for internationalisation.

In the light of the analysis done, a Policy Reccommendation will be produced in order to suggest a set of actions to improve the design and implementation of the policies to support SMEs to access new markets.