Barriers for international cooperation for SMEs in Latvia, Estonia, Finland and Sweden

Riga
01/03/2013
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1 Introduction

Entrepreneurial activity is considered as an important aspect of economic development and growth. This has been on the agenda at all European countries. The issue has been addressed in a number of political documents of European Union aimed to facilitate development of entrepreneurial activity. The focus has been at both establishment and growth of companies especially small and medium sized. Currently SME's in Europe provide the largest part of employment and value added 68% and 58% respectively thus suggesting that positive development in this segment can seriously contribute to the positive development in Europe in general.

Entrepreneurial activity in target countries Latvia, Estonia, Finland and Sweden is somewhat different but those differences are not large. In Estonia Latvia and Finland number of companies was about 4 companies per 100 inhabitants in 2011. Larger number of companies could be observed in Sweden where there were on average 6.5 companies per 100 inhabitants.

Establishment of European Union created a huge market consisting of almost 500 million inhabitants. The initial idea of EU was to create a common marketplace with open borders and all possible opportunities for companies to develop in all EU area. However in practice the proportion of companies involved in some kind of cross-border activities are comparatively small. In 2008 on average only every fifth company in Europe had some exporting activities. Number of companies having some kind of subsidiaries was much smaller about 3%. Even if the number of companies involved in some kind of international co-operation is increasing it is still insufficient. Consequently an effort should be made to support internationalization activities which will provide serious of advantages for SME's namely access to larger markets, economies of scale, improved competitiveness etc.

2 Research outline and limitations

In order to analyze the entrepreneurial activity and evaluate the barriers for international cooperation the research is organized as following:

First the relevant literature is analyzed in order to determine the main definitions as well as general framework for analysis. The framework consists of general entrepreneurship theories as well as theories describing aspects of international co-operation and growth.

After the theoretical framework is established the appropriate method for the research is developed. The methodological tools mainly are aimed at qualitative analysis that will give a deeper insight in different aspects of cross border co-operation.

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On the basis of theoretical framework methodological tools are developed. Methodology includes both primary and secondary research. The primary research is organized in a form of interviews with representatives of companies as well as support institutions involved.

When the theoretical framework is established and methodology developed the description of the current situation in the target countries Latvia, Estonia, Finland and Sweden is provided. The analysis includes different aspects related to establishment and growth of small and medium sized companies. The focus is put on similarities and differences in all target countries in order to determine what are the possible barriers for international expansion of small and medium sized companies and what kind of support would facilitate overcoming of those barriers?

The following chapter is devoted to the analysis of the results acquired from secondary sources as well primary research.

Based on the results of analyses recommendations on the financial support instruments as well as possible strategies for elimination of barriers for internationalization are provided.

**Limitations**

Research is mainly focused on the following countries Latvia, Estonia, Finland and Sweden. However for the benchmarking purposes other relevant countries are included namely Lithuania, Poland, Germany, Denmark and Norway. The companies are chosen from the SME sector thus excluding large companies from the analysis. The research is focused on small and medium size companies with 11 to 250 employees. Smaller and larger companies are excluded from the research. Since the focus of the research is on internationalization tools and barriers the institutions involved in different supporting activities are interviewed as well.

### 3 Theoretical framework

The field of entrepreneurship has been actual for many years however the definition of the phenomena is quite recent. For the purpose of the current research the definitions of Shane and Venkataraman is utilized: entrepreneurship is the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them\(^3\). This definition can be applied for both domestic as well as international entrepreneurial activities.

In addition to the objective definition of entrepreneurship one should also look at the cognitive processes of entrepreneurship as well as socioeconomic constructs necessary to conduct entrepreneurial activity. As suggested by Company and McMullen\(^4\) a clear distinction should be made between economic school suggesting entrepreneurial activity as a result of distribution of information about materials, the cultural cognitive school suggesting that entrepreneurial activities

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exist as a result of availability of cultural resources for defining and interpreting of the opportunities and finally the sociopolitical school that is suggesting that entrepreneurial activities are determined by networks and political structures as a precondition for entrepreneurial activity. For the current research all above mentioned aspects are taken into account and covered by the secondary research and/or primary research. In the context of international development we are looking at:

- objectively existing opportunities;
- perception of those opportunities by the SME representatives;
- existence of socioeconomic constructs necessary to conduct international expansion and development.

In order to assess the behavioral aspect of internationalization the theory of reasoned action will be utilized. The theory distinguishes following parts of the decision process:

- attitude towards the action;
- subjective perception of norm;
- intention to act;
- behavior and perceived control of the behavior\(^5\).

4 Methodology

The research on the internationalization activities of firms suffers severely from the fact that, so far, no unified theoretical framework has been developed. Since a unified theory of SME-internationalization is still missing, the views on barriers vary according to the theoretical viewpoint taken\(^6\).

When analyzing the barriers to internationalization, ownership (related to the firm) and location-factors (related to characteristics of the firm’s home country) are being identified as particularly important barriers (cf. Hollenstein 2005, Majocchi et al. 2005, Kneller and Pisu 2007). Another very similar, but rather descriptive line of research concerns whether a barrier is located inside or outside the firm (Leonidou 2004)\(^7\).

Approach used in this research is based on the classification of barriers for internationalization into internal barriers and external barriers. We consider that distinction between various internal and external factors helps to structure the recommendations stemming from this analysis for policy makers in terms of which measures need to be directed towards companies and which measures are needed to change framework conditions.

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\(^6\) European Commission. Barriers to internationalization and growth of EU’s innovative Companies. – 2010.

\(^7\) European Commission. Barriers to internationalization and growth of EU’s innovative Companies. – 2010.
*Internal barriers* are related to the characteristics of the enterprise itself, e.g. lack of capabilities. *External barriers* are related to the business environment.

<table>
<thead>
<tr>
<th>Internal barriers</th>
<th>Lack of excess production capacity for exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>(firm size)</td>
<td>Difficulty in matching competitors prices</td>
</tr>
<tr>
<td></td>
<td>Offering technical / aftersales service</td>
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<tr>
<td></td>
<td>Logistics facilities (transport, warehousing)</td>
</tr>
<tr>
<td></td>
<td>Marketing / promotion</td>
</tr>
<tr>
<td>Financial resources</td>
<td>Shortage of working capital to finance exports, e.g. transport, insurance, customs, promotion</td>
</tr>
<tr>
<td></td>
<td>Financing strategy, contacting middleman, foreign representation, distribution channels</td>
</tr>
<tr>
<td>Non-financial resources</td>
<td>Limited information to locate / analyze market</td>
</tr>
<tr>
<td></td>
<td>Lack of managerial skills; Inadequate personnel for exporting</td>
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<td></td>
<td>Developing new products for foreign markets</td>
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<tr>
<td></td>
<td>Adapting export products to foreign requirements / standards and customer habits</td>
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<tr>
<td>External barriers</td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td>Poor economic conditions abroad</td>
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<td></td>
<td>Foreign currency exchange risks</td>
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<tr>
<td>Market</td>
<td>Size of foreign market</td>
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<tr>
<td></td>
<td>Different foreign customer habits / attitudes</td>
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<tr>
<td></td>
<td>Keen competition in overseas markets</td>
</tr>
<tr>
<td>Political-institutional</td>
<td>Political instability in foreign markets</td>
</tr>
<tr>
<td>Socio-cultural</td>
<td>Unfamiliar foreign business practice</td>
</tr>
<tr>
<td></td>
<td>Slow collection of payments abroad</td>
</tr>
<tr>
<td></td>
<td>Different socio-cultural traits</td>
</tr>
<tr>
<td></td>
<td>Verbal / nonverbal language differences</td>
</tr>
<tr>
<td>Geographical</td>
<td>Distance</td>
</tr>
<tr>
<td>Political-legal</td>
<td>High tariff barriers</td>
</tr>
<tr>
<td></td>
<td>High none tariff barriers e.g. unfamiliar export procedures / paperwork</td>
</tr>
<tr>
<td></td>
<td>Strict foreign rules and regulations e.g. trade defense IPR issues</td>
</tr>
</tbody>
</table>

Table 4.1. *Classification of internationalization barriers*

*Source: Barriers to internationalization and growth of EU's innovative Companies*

It is important to mention that there exist two types of barriers: actual barriers and perceived by the SMEs barriers. Perceived barriers are important as they may cause SMEs to refrain from entering foreign markets, while in reality the barriers are less important than perceived a priori.

The area of internationalization and barriers for that has been addressed in a number of researches, thus contributing to the improved understanding of the topic as well as improved methodology for researching of this phenomena. The clear identification of the main behavioral aspects, stages of international development as well as issues and barriers international expansion constitutes a solid ground for further research. Thus there is no need to conduct additional pre-
validation of the issues included in interviews and analysis.

In order to assess the opinion of the respondents about the internationalization issues semi-structured interviews will be utilized. This implies that some part of the interview is structured expecting some particular answer but some is not expecting the respondent to elaborate his/her opinion. The appropriate guides are developed for the two groups of respondents.

In order to ensure the validity of the provided answers different techniques are employed. First of all the interviewers are thoroughly instructed how to conduct the interviews and acquire the necessary responses. Since the interviewing was taking place in 4 different countries the language issue was important to address. The main instrument interview guide was prepared in English and sent out to the partners. After that each partner was contacted in order to discuss the instrument. Prior to the joint discussion each partner made a review of the guide in order to evaluate the appropriateness for the local market. If some issues were identified they were discussed in the joint group and resolved afterwards. The process was repeated with all partners until the final version of the instrument was prepared. The final version was accepted by all partners without any kind of reliability or validity issues.

After the first interviews the verification was conducted in order to make sure that there are no misinterpretations or other problems with the interviewing process. Since no problems were reported from any country or target group the interviewing process was proceeded.

The information acquired from the primary interviews was compiled and analyzed according to the developed framework. In case of some uncertainties or other issues related to the validity a cross checking with other sources (mainly secondary) was conducted.

The primary sampling criteria for the companies was size of the company as well as internationalization level. Companies were selected in each country according to those criteria and no cross country sampling methodology was involved. Also industries the companies were representing were selected randomly in order to ensure sufficient coverage from all existing industries.

5 Current situation analysis of available instruments for support of entrepreneurship of SMEs in target countries – Latvia, Estonia, Finland and Sweden

5.1 Level of internationalization of SMEs

Globalization offers both opportunities and challenges for businesses. The opportunities for international business have grown dramatically as the traditional barriers associated with distance and cross-border transactions have been reduced through new technology and trade negotiations.

But the development of a fast-changing and increasingly complex global marketplace has also placed considerable pressures on companies, particularly

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8 The Athens Action Plan for Removing Barriers to SME Access to International Markets. – 2006
SMEs. Operating successfully in international markets requires, amongst other things, learning to manage at a distance using a variety of informal and formal contractual business relationships, gaining familiarity with different business regulations, customs, cultures and languages, and developing appropriate solutions for all the markets in which the company operates. This poses challenges for the managers of those companies and requires them to use, or develop, a much larger range of managerial competencies than if they operated solely in their domestic market. It involves aligning the financial, human, marketing, technological and innovative capacity resources of the firm with the decision to internationalize and daily operations while being already internationalized⁹.

In this research internationalization refers not only to exports but to all activities that put SMEs into a meaningful business relationship with a foreign partner: exports, imports, foreign direct investment, international subcontracting and international technical co-operation. Accordingly six modes of internationalization are:

- export;
- import;
- foreign direct investment;
- cooperation with foreign enterprises;
- becoming subcontractor;
- having subcontractor.

The results of the study „Internationalization of European SMEs“¹⁰ showed that internationalization has positive effects on business performance.

- Being internationally active strongly relates to higher turnover growth.

There is a positive correlation between being internationally active and reporting high turnover growth. More than 50% of SMEs that invest abroad and SMEs that are involved in international subcontracting, report increasing turnover; whereas for all SMEs this is about 35%.

- SMEs that are internationally active report higher employment growth.

SMEs that are internationally active generally report higher employment growth than non-active SMEs, for example:

- exporters' employment growth 7%, non-exporters 3%;
- importers employment growth 8%, non-importers 2%;
- SMEs both importing and exporting 10% employment growth; others 3%;
- SMEs with FDI employment growth 16%, others 4%.

⁹ The Athens Action Plan for Removing Barriers to SME Access to International Markets. – 2006
¹⁰ EU. Internationalisation of European SMEs. – 2010
The relationship between internationalization and innovation is strong. 26% of internationally active SMEs introduced products or services that were new for their sector in their country, for other SMEs this is only 8%. These internationally active SMEs are also more active with process innovations that are new for their sector in their country (11% versus 3% for the SMEs without international activities).

On the basis of report „Barriers to internationalization and growth of EU’s innovative Companies”¹¹ innovative companies are more likely to export. They are more productive and therefore internationally more competitive. Innovation is an important driver of internationalization at the firm level. Barriers to innovation therefore act also as barriers to internationalization. The report has confirmed the existence of substantial barriers to innovation with respect to knowledge on markets and technologies, access to finance and the shortage of skilled labor. The analysis of these barriers shows that there are differences across company types and across country groups. Small companies and companies that are not part of a larger corporate group are more likely to experience knowledge shortages.

Although internationalization can result in various merits for companies, however sometimes international transactions do not take place because companies are not able to overcome the barriers associated with internationalization. It is important to gain insight in the type of barriers that SMEs may encounter either before or during internationalization.

According to the OECD the main barriers to greater internationalization as reported from SMEs are¹²:

- shortage of working capital to finance exports;
- identifying foreign business opportunities;
- limited information to locate/analyze markets;
- inability to contact potential overseas customers;
- obtaining reliable foreign representation;
- lack of managerial time to deal with internationalization;
- inadequate quantity of and/or untrained personnel for internationalization.

These problems are consistently repeated along other surveys and could be grouped in the three SME’s main areas of concern¹³:

- insufficient managerial time and/or skills (including language) required for internationalization;
- lack of financial resources;
- lack of knowledge of foreign markets, mostly consequence of the previous two.

¹¹ EC. Barriers to internationalisation and growth of EU’s innovative Companies. – 2010
¹² EC. Supporting the internationalisation of SMEs. 2007
¹³ EC. Supporting the internationalisation of SMEs. 2007
Latvia

- Inside the EU

Latvia appears to have been particularly effective in transposing EU legislation into national law. On the other hand, its share of SMEs trading with other EU countries is within the EU average\(^{14}\), see Table 5.1.

<table>
<thead>
<tr>
<th></th>
<th>LV</th>
<th>EE</th>
<th>FI</th>
<th>SE</th>
<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IN THE EU</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs with intra EU imports (%)</td>
<td>9</td>
<td>14</td>
<td>14</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>SMEs with intra EU exports (%)</td>
<td>20</td>
<td>19</td>
<td>14</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td><strong>OUTSIDE THE EU</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs importing from outside EU (%) of SMEs</td>
<td>2,99</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>SMEs exporting from outside EU (%) of SMEs</td>
<td>9</td>
<td>4</td>
<td>2,76</td>
<td>4</td>
<td>3,06</td>
</tr>
<tr>
<td>Cost required to import (in USD), 2012</td>
<td>801</td>
<td>725</td>
<td>620</td>
<td>735</td>
<td>1101</td>
</tr>
<tr>
<td>Time required to import (in days), 2012</td>
<td>11</td>
<td>5</td>
<td>8</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Number of documents required to import, 2012</td>
<td>6</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>5,25</td>
</tr>
<tr>
<td>Cost required to export (in USD), 2012</td>
<td>600</td>
<td>725</td>
<td>540</td>
<td>697</td>
<td>1032</td>
</tr>
<tr>
<td>Time required to export (in days), 2012</td>
<td>10</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Number of documents required to export, 2012</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>4,53</td>
</tr>
</tbody>
</table>

*Table 5.1. Export and import performance of target countries*

*Source: EC. SBA Fact Sheets 2012 of Latvia; Estonia; Finland; Sweden*

From a policy point of view, numerous initiatives were organized in 2011 to help and encourage Latvia SMEs to participate in the Single Market, such as a Conference on ‘Support of Institutions for Conformity Assessment for the Export of Latvian Goods and Services’ (8.12.11), while SOLVIT (a public organization whose main objective is to provide solutions for problems arising in the domestic and single market) took measures aimed at popularization and networking, and organized information events on standardization\(^{15}\).

This latter topic, standardization, has been at the center of other policy actions. In particular, with effect from 1 January 2012, the Standardization Bureau of Latvia has lowered the purchase prices of standards by 50 per cent on average. While this has many aims (e.g. promoting the more widespread use of standards among SMEs should increase their competitiveness and get them to use their resources more efficiently), one of the most important ones is to increase SMEs’ ability to export and to improve their standing in the

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\(^{14}\) EC. SBA Fact Sheet 2012. Latvia

\(^{15}\) EC. SBA Fact Sheet 2012. Latvia
international markets\textsuperscript{16}.

**Outside the EU**

On the internationalization front Latvia performs very well in terms of the costs it imposes on exporters and importers: only $600 and $ 801 respectively, while in the average EU country the figures are $1032 and $ 1100 (Table 5.1.). On the other hand, slightly more documents are required of importers and exporters. The other indicators — regarding the time needed to trade outside the EU and the share of SMEs active in extra-EU trade — are very close to the EU average\textsuperscript{17}.

On the policy front, no major measures were implemented in 2011. The most notable one was concerned with providing financial support to encourage rural entrepreneurship foundations to become active in international networking programs\textsuperscript{18}.

**Estonia**

**Inside the EU**

The current indicators in this area present a positive outlook, since most of them are performing better than the EU average (Table 5.1.). The two main ones, namely shares of SMEs with intra-EU imports and intra-EU exports, have fallen by approximately 4 and 1.2 percentage points respectively. On the positive side, the performance is still above the average, which supports the position of Estonia as a small open economy, relying more on exports than on imports. Estonia has made some improvements in the market legislation and the transposition of the EU legislation into national law, although it still lags behind the majority of EU countries\textsuperscript{19}.

On the policy front, in 2010 Estonia established the Product Contact Point which, in 2011, contacted all the Estonian market surveillance authorities to explain mutual recognition and the obligations related to EU Regulation 764/2008\textsuperscript{20}.

**Outside the EU**

All the indicators have performed positively, and the overall score is higher than the average EU performance. Despite the positive general picture, almost 4% fewer SMEs have imported from outside the EU this year. The percentage of SMEs exporting from outside the EU has also dropped by 1%. This indicates that Estonian SMEs have preferred to concentrate on the domestic (EU) market due to the potential ease of access, or alternatively the lower demand from outside the EU. Other indicators, showing the number of documents required that are required for export and import, have remained stable, indicating that Estonia is less bureaucratic than the rest of the EU. In the meantime, it maintains good conditions for trading, including relatively low costs and on-time delivery. On the policy front, a new government program is

\textsuperscript{16} EC. SBA Fact Sheet 2012. Latvia
\textsuperscript{17} EC. SBA Fact Sheet 2012. Latvia
\textsuperscript{18} EC. SBA Fact Sheet 2012. Latvia
\textsuperscript{19} EC. SBA Fact Sheet 2012. Estonia
\textsuperscript{20} EC. SBA Fact Sheet 2012. Estonia
under discussion, which is likely to focus on Asia, and to increase the potential of Estonian companies to export to emerging Asian markets. The Enterprise Estonia Export Support Program is designed to provide monetary grants and advice on the export practices of SMEs.

Finland

- **Inside the EU**

Single market remains the one SBA (Small Business Act) area where Finland’s score is ‘only’ in line with the EU average. The main reason for this is, as was the case last year, the trading performance of Finnish SMEs. They trade slightly less with the rest of the EU than similar firms in other EU countries, perhaps partly because of Finland’s geographical location on the edge of the EU. In fact, in line with the EU average, the proportion of SMEs exporting and importing within the single market has dropped further compared to year 2011. Hence the proportion of SMEs with intra-EU imports dropped from almost 16% to 14% this year while the corresponding figure for exporting SMEs dropped from 5% to 4% (Table 5.1). However, Finland is still outperforming its EU partner countries when it comes to transposing EU directives into national law, thus fostering the conditions necessary for a functioning internal market. It performs particularly well (better than any other EU country) in not having a single directive overdue by more than two years.

Policy wise, a new Competition Act entered into force on 1 November 2011. The main purpose of the reform is to make the Finnish competition rules more coherent following several partial amendments over the years, as well as to further harmonize the legislation with EU laws. In addition, several procedural changes have been introduced in relation to the investigatory powers of the competition authorities including sanctions and the merger control process.

- **Outside the EU**

Finland’s overall score in this area is surpassed only by Denmark, Sweden and Estonia. This result is based on good performances for the indicators that describe the administrative conditions for trading. The best scores are for the costs associated with exporting to and importing from countries outside the EU. Export costs, for instance, are less than 52% of the EU average ($540 compared to $1032). In the case of imports, the difference is more than 43% ($620 compared to $1101). In addition, Finnish SMEs take less time (three days less than the EU average) to import and export their products. This consistently positive picture is rounded off by the smaller number of documents that are required for trading (both exporting and importing). Despite these excellent conditions, the actual trading performance of Finnish SMEs is mixed. Like last year, they import slightly more, and export slightly less, than their EU peers on average. On both counts their relative performance vis-à-vis the EU improved. All in all, the Finnish SMEs’ rather modest trading performance is primarily due to factors such as the country’s

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21 EC. SBA Fact Sheet 2012. Estonia  
22 EC. SBA Fact Sheet 2012. Finland  
23 EC. SBA Fact Sheet 2012. Finland
geographical location rather than administrative aspects\textsuperscript{24}.

No significant policy measures were introduced in this area in 2011 and the first trimester of 2012\textsuperscript{25}.

**Sweden**

• **Inside the EU**

The Single market SBA area is the only one where Sweden performs below the EU average. Swedish SMEs are less likely to trade within the EU, and Sweden takes longer to transpose EU directives, e.g. one of them has been overdue for over two years. However, the proportion of directives not transposed that refer specifically to the single market is very close to the average. No major policy initiatives have been reported in 2011\textsuperscript{26}.

• **Outside the EU**

Sweden, together with its Nordic neighbors, Denmark, Estonia and Finland, belongs to the top scoring group in this SBA area. While Swedish SMEs are close to the EU average on the amount they import from outside the EU and slightly above it on the export side, Sweden really stands out in its ability to provide a friendly business climate for both exporters and importers. The time, cost and number of documents that are required are all well below average, except for the time needed for exporting, which is closer to the average than the other indicators (but still shorter by three days) (Table 5.1.). In particular, only three documents are required for both export and import purposes, while the average EU SME has to provide five\textsuperscript{27}.

Given the good performance of the country in the area of internationalization, and the good support already provided by the Swedish Trade Council to SMEs interested in exporting, it is not surprising that no significant new policy measure was taken in 2011\textsuperscript{28}.

\textbf{Figure 5.1. Percentage of internationalized SMEs (any of 6 modes) in 2006-2008 by country}

\textit{Source: EU. Internationalization of European SMEs. 2010}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure51.jpg}
\end{figure}

\textsuperscript{24} EC. SBA Fact Sheet 2012. Finland
\textsuperscript{25} EC. SBA Fact Sheet 2012. Finland
\textsuperscript{26} EC. SBA Fact Sheet 2012. Sweden
\textsuperscript{27} EC. SBA Fact Sheet 2012. Sweden
\textsuperscript{28} EC. SBA Fact Sheet 2012. Sweden
Figure 5.1. shows the percentage of SMEs *that state* to be active in any of these six forms of international activities (exporting, importing, investing abroad, cooperating internationally, or having international subcontractor relationships). The top six Member States are: Greece; Malta; Estonia; Cyprus; Luxembourg and Bulgaria. Relatively low scores are recorded for: Germany; France; Italy; Austria and the United Kingdom. So Austria and four of the six large European economies show the lowest scores; the score of Spain is equal to the European average, Poland a bit higher.

**Internationalization by trade partner country**

For any European country the internal market remains the key partner any internationalization activity. In terms of trade the EU represents 2/3 of total trade for the average Member State. The importance of the internal market as the key partner is even more accentuated in the case of SMEs. The Figure 5.2. below shows the relative importance of the internal market for European SMEs.

*Figure 5.2. Main destination of exports of SMEs, 2010*
*Source of data: Eurostat*

For all countries except Malta *trade* is primarily focused on the EU27 countries. This also reflects that SMEs tend to interact more with countries across the border rather than distant ones. This predominance of the EU as the key market remains universal and constant across all SME sizes\(^{29}\).

\(^{29}\) EC. Supporting the internationalization of SMEs. 2007
Table 5.2. shows main export and import partners of Latvia, Estonia, Finland and Sweden that could be regarded as main internationalization partners.

Being a land of abundant timber resources, Latvian trade is dominated by wood products. However, Latvia excels in other products as well such as chocolates, telecommunication products, locomotives, tram cars and dairy products. Its location makes Latvia the center stage for global trade. Its central position in Europe makes it the most preferred country to trade with and therefore EU giants, such as Germany, have strong trading relations with Latvia.

Main trade partners of Estonia are Finland, Sweden, Latvia and Lithuania. Estonia’s primary export commodities include machinery and electrical equipment 21%, wood and wood products 9%, metals 9%, furniture 7%, vehicles and parts 5%, food products and beverages 4%, textiles 4%, plastics 3%, import commodities - machinery and electrical equipment 22%, mineral fuels 18%, chemical products 3%, foodstuffs 6%, plastics 6%, textiles 5%. With its large free open market and well industrialized sector, Finland is a well-
developed trading economy with a large part contributed by its manufacturing units. Finnish trade accounts for over one-third of its GDP. The nation's trade is dominated by high tech products, such as mobile phones. However, as is the case with the manufacturing economy, Finland imports high amounts of raw materials and components for its manufactured goods. That will signal that it is more likely that foreign companies capable of exporting of raw material will easier find a co-operation partner in Finland.

Sweden's trade, exports and imports are dependent on the nation's highly industrialized setup and exports to other Scandinavian nations and the rest of Europe. The surplus for January 2009 was SEK 6.9 billion. Compared to January 2009, exports increased by 1%, while imports more or less remained the same. Sweden's primary export commodities include industrial machinery, automobiles, paper products, iron and steel products, pulp and wood, and chemicals. Sweden's primary import commodities include machinery, petroleum and petroleum products, chemicals, motor vehicles, iron and steel; foodstuffs, clothing.

5.2 Founding the company

Latvia

Commercial activity in Latvia is mostly regulated by the Commercial Law; however the Civil Law and the Group of Companies Law have considerable significance as well. Moreover in many sectors special requirements prescribed in various Acts or Regulations of the Cabinet of Ministers have to be taken into account.

A business may be carried on by a Self-employed person, Individual trader, Partnership (general partnership or limited partnership) but most common types of company registration in Latvia are:

- A company limited by share capital – a limited liability company (sabiedrība ar ierobežotu atbildību: SIA);

  A limited liability company or SIA is a company the equity capital of which consists of the aggregate of the par value of its shares. A limited-liability company is a (closed) private company and its shares are not publicly traded. The company's owners are not liable to the company's creditors with their own private property. The company is a legal person.

- Joint stock company (akciju sabiedrība: AS).

  A joint stock company or AS is a company the equity capital of which is equal to the aggregate of the par value of its shares. A joint-stock company is an open (public) company and its shares may, as required by law, be publicly traded - the shares can be listed on the stock exchange. The company is a legal person.

To register a commercial activity a trader (sole trader, a partnership or a company)

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36 http://www.economywatch.com/world_economy/sweden/export-import.html
must be registered with the Commercial Register.

When starting a business a trader must register as a payer of mandatory social security contributions at the local office of the State Revenue Service by the fifth day of the month following that in which the trader has employed on his first employee. From that point on each new employee must be registered individually on the day after the employee has been taken on employed. This includes members of the executive and supervisory boards. On registering employees, the employer shall provide their identity numbers.

Mandatory social security contributions and payers are governed by:

- The State Revenue Service;
- The Law on State Social Insurance;

Legal persons who are not required by law to register with the Register of Enterprises shall be registered as taxpayers with the VID. Legal persons and other persons registered as taxpayers with the VID can, for example, be trade unions, notarial practices and advocates’ practices, as well as the permanent establishments of foreign traders. The latter can be considered as an advantage for establishing subsidiaries in Latvia.

Taxable persons in the sense of the Law on Value Added Tax shall be registered by the VID as prescribed by law.

In order to register with the local VID office the taxpayer must submit an application containing information about the taxpayer, the taxpayer’s bank accounts, the taxpayer’s founders, officers who have the authority to sign documents; the nature of the taxpayer’s activities and the passport of the person submitting the application and that person’s authority to do so.

The VID shall, within 10 days, examine the documents submitted by the taxpayer, register the taxpayer in the taxpayers’ register and issue the taxpayer registration certificate. The main enterprise shall receive the registration certificate of any of its subsidiary’s divisions.

**Estonia**

There are two ways of doing business in Estonia: operating as a sole proprietor or setting up a company. In both cases, registration is carried out pursuant to the requirements of the Commercial Code. In order to operate in Estonia, persons from foreign countries may in addition register their companies’ branches in the Commercial Register or register their permanent establishment with a regional Service Bureau of the Tax and Customs Board.

There are a number of different business forms:

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A sole proprietor is a natural person whose permanent activity is the sale of goods and services.

A private limited company is a company that has share capital divided into shares. The shareholder is not personally liable for the obligations of the private limited company. Share capital must be at least 2500 euros.

A public limited company is a company that has share capital divided into shares. The shareholder is not personally liable for the obligations of the public limited company. Share capital must be at least 25,000 euros.

General partnership is a company in which two or more partners operate under a common business name and are jointly and severally responsible for the liabilities of the partnership with all of their assets.

A limited partnership is a company in which two or more persons operate under a common business name with at least one of them (full partner) being responsible for the liabilities of the partnership with all of his/her assets, and at least one of them (limited partner) being responsible for the liabilities of the partnership to the extent of his/her contribution.

A commercial association, the activities of which are regulated by the Commercial Associations Act, is an association with three or more members whose objective is to support the household or other activities of the members by providing services, and to receive revenue.

Companies and business of sole proprietors must be registered in the Commercial Register. Registration is free of charge and person must take his/her personal ID with him/her. In order to do so, a notarized application must be submitted and a prescribed state fee must be paid.

The registration procedure depends on the company's form of business. The Commercial Code also provides for an expedited procedure for the initial entries of private limited companies, sole proprietors, general partnerships and limited partnerships, and for the transformation entries of sole proprietors and companies. For an expedited procedure, the registration applications are reviewed within the following working day at the latest.

Social tax is paid in full by the employer to the Tax and Customs Board. Sole proprietors also pay social tax. Companies and registered sole proprietors do not have to register separately as persons liable to social tax. Non-residents who have no permanent establishment in Estonia but who are employers in Estonia are registered with the Northern Service Bureau of the Tax and Customs Board for social tax to be paid before their tax liability arises.

Companies and sole proprietors registered in the Commercial Register do not have to register separately as taxable persons with the Tax and Customs Board.
Non-residents who operate in Estonia through a permanent establishment and who are not registered in the Commercial Register, or as non-resident employers, are required to register themselves as taxable persons.

Registration as a person liable to value added tax is carried out with the Tax and Customs Board, though it may also be performed with the Commercial Register or through a Notary Public.

**Finland**

The business form influences the amount of tax paid, the division of responsibilities and how actions between the company and its owner are treated. There are a number of different business forms:

- sole trader;
- general partnership;
- limited partnership;
- limited liability company;
- cooperative.

New companies are registered in the Trade Register of the National Board of Patents and Registration (PRH). Companies can send their information to the registers maintained by the PRH and the Finnish Tax Administration on one form:

- Trade Register;
- Prepayment Register;
- Employer Register;
- VAT Register.

An entrepreneur’s statutory social security includes a pension plan. Entrepreneurs may improve their social security, for example, with voluntary personal accident insurance, life insurance and unemployment insurance payments. An entrepreneur must insure himself against retirement, unemployment and death.

The company as an employer is obliged to deduct and pay income tax at the source and social security payments to the tax authority.

Companies pay direct and indirect taxes for their business activities, such as value-added tax (VAT) and excise duty. Companies that pursue a trade, agriculture or other profitable activity are registered in the prepayment register.

**Sweden**

If to start a business in Sweden, different rules apply depending on citizenship, the form of business chosen and whether intend to live in the country.

Companies can take the following legal forms:

- sole traders;

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A sole trader is a type of company in which there is no clear division between person as an owner and the company itself. Person is personally liable for the company’s debts. A sole trader business is always owned by one person. Spouses or couples with children can run sole trader businesses together.

• partnerships and limited partnerships (handelsbolag / kommanditbolag);

A partnership must have two or more partners. They may be private individuals or companies. A partnership is a legal entity.

The partners decide who will have the right to represent the company and enter into agreements on behalf of the company as an authorized signatory.

In a partnership, the partners are always personally and jointly liable to other parties, and this can never be contractually relinquished.

Personal liability means that the partners must cover the company's debts and any agreements entered into from their own assets. Joint liability means that each and every partner may be personally compelled to pay all the company's debts. The person who has paid may then claim against the other partners for their share of the debt.

A limited partnership (kommanditbolag) is a kind of partnership where there is at least one partner whose liability takes the form of capital invested in the business. Such people are called limited partners (kommanditdelägare). At least one partner, the so-called general partner (komplementär), always bears unlimited personal liability. Otherwise, the rules are the same as for a normal partnership.

• economic association;

An economic association is an option if there are at least three people who want to start a company together.

An economic association is intended to promote the economic interest of its members. This means that the members must gain some economic benefit from belonging to the association. The benefit may be a contract, a better price or reduced costs. There is nothing to stop the association from promoting other interests that are not purely economic, provided that the economic interest takes precedence.

The scale of the investment that each member has to put in may vary from SEK 1 upwards. Both individuals and legal entities may be members.

• limited companies.

A limited company is suitable where there are several owners or if the company potentially faces financial risks. The limited company is a legal entity in itself.

When a person starts a limited company he/she must have at least SEK 50 000 in share capital. This is equivalent to a quantity of shares held by the shareholders as proof that they own the company. The share capital may include cash or other assets of value to the business. These assets are called capital contributed in kind (apportegendom) and must be valued by an auditor.
There is a joint service for electronic (online) company registration run by the Swedish Companies Registration Office (Bolagsverket) and the National Tax Board (Skatteverket). The information entered is registered directly with the online Company Registration service.

When starting a business the company must be registered for corporation tax (F-skatt) and VAT (Moms) with the National Tax Board. If staff is to be employed, the company must also be registered as an employer with the National Tax Agency. The corporation tax registration card (F-skattesedel) is proof that the company pays taxes and social security contributions.

Information about legal forms of business activity, amount of share capital and taxes in target countries – Latvia, Estonia, Finland and Sweden is provided in Table 5.3.

<table>
<thead>
<tr>
<th>Country</th>
<th>Legal forms of business activity</th>
<th>Amount of share capital</th>
<th>Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>• individual trader&lt;br&gt;• general partnership and limited partnership&lt;br&gt;• limited liability company&lt;br&gt;• joint stock company&lt;br&gt;• cooperative society</td>
<td>• -&lt;br&gt;• -&lt;br&gt;• 2 845 EUR and 1,5 EUR&lt;br&gt;• 35 572 EUR&lt;br&gt;• -</td>
<td>• Microtax 9%&lt;sup&gt;41&lt;/sup&gt;&lt;br&gt;• VAT: 21% (or 12%; 0%)&lt;br&gt;• Payroll tax (State mandatory social insurance payments): 35,09% (11% by the employee)&lt;br&gt;• Corporate income tax: 15%&lt;br&gt;• Personal income tax: 24% (or 10%; 15%)</td>
</tr>
<tr>
<td>Estonia</td>
<td>• sole proprietor&lt;br&gt;• general partnership and limited partnership&lt;br&gt;• private limited company&lt;br&gt;• public limited company&lt;br&gt;• commercial association</td>
<td>• -&lt;br&gt;• -&lt;br&gt;• 2 500 EUR&lt;br&gt;• 25 000 EUR&lt;br&gt;• -</td>
<td>• VAT: 20% (or 9%; 0%)&lt;br&gt;• Payroll (social) tax: 33,00%&lt;br&gt;• Corporate income tax: 21%&lt;br&gt;• Personal income tax: 21% (or 10%)</td>
</tr>
<tr>
<td>Finland</td>
<td>• sole trader&lt;br&gt;• general partnership and limited partnership&lt;br&gt;• private limited liability company&lt;br&gt;• joint stock company&lt;br&gt;• cooperative</td>
<td>• -&lt;br&gt;• -&lt;br&gt;• 2 500 EUR&lt;br&gt;• 80 000 EUR&lt;br&gt;• -</td>
<td>• VAT: 24% (or 13%; 9%)&lt;br&gt;• Corporate income tax: 26%&lt;br&gt;• Personal income tax (progressive): 6,5%-30% national and 16%-21% municipal</td>
</tr>
<tr>
<td>Sweden</td>
<td>• sole trader&lt;br&gt;• partnership and limited&lt;br&gt;• partnership and limited liability company</td>
<td>• -&lt;br&gt;• -&lt;br&gt;• -</td>
<td>• VAT: 25% (or 12%; 6%)</td>
</tr>
</tbody>
</table>

<sup>41</sup> Can be applied for small companies with max 5 employees and turnover less than 70000 Lats per year
Latvia, Estonia, Finland and Sweden allow various forms of business types. In many ways, setting up a company in these countries does not differ from setting it up anywhere else in Europe. The process is quite simple, and resembles with other countries, and the forms of business entities are not very different.

However the most significant difference is related to the amount of money (capital) that should be invested to start a limited company. In some cases this can be considered as an advantage when choosing a country where to start the business. Comparison of tax rates is difficult and somewhat subjective. Tax laws in most countries are extremely complex, and tax burden falls differently on different groups in each country and sub-national unit.

### 5.3 Starting up the company

In general, the range of stakeholders for entrepreneurial activities is broad, starting with public policy makers, like governments and ministries, EU policy makers, and only then it turns to regional players, e.g. public support providers, universities, local municipalities, training and advice providers, and ending up with local SMEs that provide the market with nascent entrepreneurs\(^\text{42}\).

Support for entrepreneurship of SMEs can be divided into following types:

- physical and technical infrastructure;
- advice and information;
- financial support.

In this chapter the focus is put on the first two mentioned support categories. The main financial support providers are: private (family, friends etc.), banks, business angels, venture capital and public support. Information about access to finance or financial support is provided in the chapter “Available support from private institutions”.

Main providers of physical and technical infrastructure and also advice, information and coaching for start-ups are business incubators.

*Business incubator* is a combination of infrastructure and personnel aimed at aiding new and small businesses to develop through supporting them in their early stage of development with infrastructural, day-to-day consultations and services concerning business development fundamentals. Those services usually are offered free of charge or with sufficient discounts in order to facilitate growth and development of those companies.

**Incubated businesses** are start-ups that receive services from business incubator operators and/or are located at the premises of the business incubator.

Support structures for enterprise creation differ in their location, focus, rules, financial incentives. Common types of incubators include:

- regional incubators (objective being rejuvenation of a specific territory);
- university incubators;
- industry specific incubators;
- incubators created and run by a specific company for businesses related to its main product or service;
- incubators dedicated to certain categories of people;
- non-profit incubators;
- incubators to accommodate subsidiaries of foreign companies and incubators to establish subsidiaries abroad.

Estimates suggest that as many as 3000 business incubators operate worldwide. Types and number of operating business incubators in target countries – Latvia, Estonia, Finland and Sweden – is shown in Table 5.4.

<table>
<thead>
<tr>
<th>SCIENCE AND TECHNOLOGY PARKS</th>
<th>Latvia45</th>
<th>Estonia46</th>
<th>Finland47</th>
<th>Sweden48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Together = 1</strong></td>
<td>Latvia Technology Park (Riga)</td>
<td>Tallinn Technology Park- TECHNOPOLIS</td>
<td>In Helsinki - 1</td>
<td>In Goteburg - 2</td>
</tr>
<tr>
<td><strong>Together = 3</strong></td>
<td>Latgale Machinery and Technology Center: LATC (Rezekne)</td>
<td>Tartu Biotechnology Park</td>
<td>In Turk - 2</td>
<td>In Linkopig - 2</td>
</tr>
<tr>
<td><strong>Together = 13</strong></td>
<td>Tartu Science Park</td>
<td>In Oulu – 2</td>
<td>In other cities - 8</td>
<td>In Malmo - 2</td>
</tr>
<tr>
<td><strong>Together = 20</strong></td>
<td>In other cities</td>
<td>In other cities - 14</td>
<td>In other cities - 3</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TECHNOLOGY BUSINESS INCUBATORS</th>
<th>Latvia45</th>
<th>Estonia46</th>
<th>Finland47</th>
<th>Sweden48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Together = 1</strong></td>
<td>Latgale Machinery and Technology Center: LATC (Rezekne)</td>
<td>BioMed Incubator (Tallinn)</td>
<td>Technopolis Ventures Ltd (Espoo)</td>
<td>In Lund - 2</td>
</tr>
<tr>
<td><strong>Together = 3</strong></td>
<td>Start Up Incubator (Tallinn)</td>
<td>Tartu Centre for Creative Industries</td>
<td>Culminatum Ltd (Espoo)</td>
<td>In Stockholm - 1</td>
</tr>
<tr>
<td><strong>Together = 2</strong></td>
<td>Tartu Centre for Creative Industries</td>
<td></td>
<td></td>
<td>In Goteborg - 1</td>
</tr>
<tr>
<td><strong>Together = 7</strong></td>
<td></td>
<td></td>
<td></td>
<td>In other cities - 3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BUSINESS</th>
<th>Latvia45</th>
<th>Estonia46</th>
<th>Finland47</th>
<th>Sweden48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Together = 8</strong></td>
<td>Latgale Machinery and Technology Center: LATC (Rezekne)</td>
<td>BioMed Incubator (Tallinn)</td>
<td>Technopolis Ventures Ltd (Espoo)</td>
<td>In Lund - 2</td>
</tr>
<tr>
<td><strong>Together = 6</strong></td>
<td>Start Up Incubator (Tallinn)</td>
<td>Tartu Centre for Creative Industries</td>
<td>Culminatum Ltd (Espoo)</td>
<td>In Stockholm - 1</td>
</tr>
<tr>
<td><strong>Together = 59</strong></td>
<td>Tartu Centre for Creative Industries</td>
<td></td>
<td></td>
<td>In Goteborg - 1</td>
</tr>
<tr>
<td><strong>Together = 27</strong></td>
<td></td>
<td></td>
<td></td>
<td>In other cities - 3</td>
</tr>
</tbody>
</table>

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45 http://www.spica-directory.net/centers/?c=33
46 http://www.spica-directory.net/centers/?c=18
47 http://www.spica-directory.net/centers/?c=19
48 http://www.spica-directory.net/centers/?c=55
Majority of those incubators operate according to the conventional model however there are attempts to find new ways for supporting entrepreneurial activity. One such case can be found in Sweden and is called Encubator. The idea behind Encubator is to combine education and incubation. The Encubation model is part of the two-year action-based master’s education at Chalmers School of Entrepreneurship, focusing on innovative value creation. The individuals spend their first year obtaining necessary theoretical skills as well as the personal and team skills needed to perform as a dynamic venture team. During the second year of the education they are prepared to take on a real innovation project as business developers. The aim is to develop a business idea into a start-up venture.

Possibilities for international incubation differ between countries. There is accessible large amount of information referring to incubation however answer to the question if it is possible for a foreign company to incubate in concrete country and to receive incubation services isn’t possible to find in the web sites of incubators and associated organizations/institutions.

With the aim to throw light on this question, authors of this research put above mentioned question to several incubators in target countries. Taking into account received answers it is possible to state that situation differs between Estonia and Finland, between Estonia and Sweden.

It is possible for a foreign company to incubate in Estonia and to receive incubation services although it is preferred the company to be located in Estonia. There are no terms, which require entrepreneur’s registration in Estonia. In case of foreign incubant/enterprise, the entrepreneur has to follow the rules of tax office: where, when, to whom (which country) and with which terms has to declare or and pay taxes. If company isn’t located in Estonia, then for once or twice a month the company should come to Estonia for a meeting - experience

http://www.encubator.com/about/education-incubation-encubation/

**In Finland** normally it is needed to establish a company to be able to enjoy the services. Finnish incubators mainly serve businesses that locate or have intention to locate in specific area. Like Turku Science Park serves start-ups in Turku area. Of course many areas want to attract entrepreneurs and business ideas from abroad to establish their businesses to Finland and/or their area. Always these services are not called incubators but for example invest in –services.

Some incubators (like Aalto Start-Up Center) have “softlanding” agreements with some foreign incubators which mean that the members of these incubators can enjoy the services of the Finnish incubator.

Incubators also don’t work solely with virtual incubation in **Sweden**, personal meetings are important. Incubators welcome and help international companies to establish themselves but they want these international companies to have some formal connection to region where incubator is situated and it means that company should be registered in Sweden.

Incubation conditions for foreign and local entrepreneurs are the same. They differ of course between target countries and incubators but unchangeable is the need to have a clear vision of what entrepreneurs want to achieve while being in incubation and they should also have realistic business plan.

Majority of the incubators (interviewed as well as other) have clearly stated goals for theirs activities. The main goals identified are impact on employment and impact on regional development. These goals usually constitute a more serious obstacle for foreign companies to get into incubators compared to the formal criteria.

<table>
<thead>
<tr>
<th></th>
<th>LV</th>
<th>EE</th>
<th>FI</th>
<th>SE</th>
<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to start a business (in calendar days), 2012</td>
<td>16</td>
<td>7</td>
<td>14</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Cost to start a business (% of income per capita), 2012</td>
<td>2,6</td>
<td>1,8</td>
<td>1</td>
<td>0,6</td>
<td>4,98</td>
</tr>
<tr>
<td>Paid in minimum capital (% of income per capita), 2012</td>
<td>0</td>
<td>24</td>
<td>7</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Time required to transfer property (in calendar days), 2012</td>
<td>18</td>
<td>18</td>
<td>14</td>
<td>7</td>
<td>36</td>
</tr>
<tr>
<td>Cost required to transfer property (% of property value), 2012</td>
<td>2</td>
<td>0,4</td>
<td>4</td>
<td>4,3</td>
<td>4,69</td>
</tr>
<tr>
<td>Number of tax payments per year, 2012</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Time required to comply with major taxes (hours per year), 2012</td>
<td>290</td>
<td>85</td>
<td>93</td>
<td>122</td>
<td>206</td>
</tr>
<tr>
<td>Cost to enforce contracts (% of claim), 2012</td>
<td>23,1</td>
<td>22,3</td>
<td>13,3</td>
<td>31,2</td>
<td>20,6</td>
</tr>
</tbody>
</table>
Table 5.5. Factors affecting starting up the business in Latvia, Estonia, Finland and Sweden

Source: EC. SBA Fact Sheets 2012 of Latvia; Estonia; Finland; Sweden

Latvia

The capital required to start a business in Latvia is much less than in the EU as a whole, it is cheaper to transfer property, only seven tax payments are required in a year (instead of twelve), and all public services examined for the indicator are readily available on-line.

From a policy point of view, it should first of all be noted that in 2011 the first Annual Action Plan for reducing administrative burden, simplifying administrative procedures, and improving the quality of public services for inhabitants and entrepreneurs was adopted. Several aspects of this plan were implemented in 2011, while others were planned for 2012.

Among those already implemented a number of reporting obligations for entrepreneurs have been reduced through amendments to the Commercial Law and the Labor Law. Additional new e-services have been introduced: since January 2011, the Law on Taxes and Fees states that entrepreneurs have to submit their tax declarations to the State Revenue Service (VID) via the Electronic Declaration System (EDS), thus significantly easing the declaration procedures. According to the government’s estimation, electronic declarations will reduce the time required to prepare the VAT report from 97 to 37 hours per year.

Estonia

The indicators that are important for the everyday functions of businesses, such as the cost of enforcing contracts, the time and cost to transfer property, as well as the time and cost of starting a business, all show better results than the average SME in the EU. The paid-in minimum capital is higher in Estonia than in the rest of Europe (24.4% as a percentage of income per capita, compared to 16.1% for the EU), although it has decreased by 1.3% in the past year.

The other two indicators that have experienced a correlated change are the increase in number of tax payments per year and the time required to comply with them, even though they are still lower than in the rest of the EU.

On the policy front, no significant measures were reported in this area for 2012.

Finland

The scores for the indicators in this area show that Finland has the most SME-friendly environment in the EU. This ranking is based on above-average performances for nine out of ten indicators. On all counts (costs, time needed, etc.), Finland scores much better than the EU average. The cost of enforcing

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50 EC. SBA Fact Sheet 2012. Latvia
51 EC. SBA Fact Sheet 2012. Estonia
52 EC. SBA Fact Sheet 2012. Finland
contracts remains a particular strong point. This is about a third cheaper in Finland than in the EU as a whole (13 % compared to almost 21 %). The only area where Finland is not ahead of its EU peers is the start-up time (14 days) where Finland’s performance is in line with the EU average.

Policy wise, the bureaucracy for small firms in the food industry has been reduced since September 2011. A firm starting a new business needs to announce this at least four weeks beforehand, but no advance approval is needed. Furthermore, an inverse value-added tax in the construction sector has been introduced. According to the new law the buyer (instead of seller) is obliged to pay the VAT. The reform is aimed at reducing the “grey economy”.

Sweden

Sweden generally scores well in this area, outperforming the EU average regarding the cost to start a business, the time required to transfer it, the number of tax payments it has to make, the time it needs to comply with taxes, and access to online basic public services. The picture resembles the EU average when considering the cost of transferring a property, the minimum capital requirement, and the time it takes to start a business. However, one indicator is well below the average: in Sweden the cost of enforcing a contract amounts to almost one third of the claim, which is about 50 % higher than the EU average. On the policy front, there have been no significant new measures in 2011, probably due to the fact that the focus has fallen on implementing initiatives introduced in previous years. One exception is the attention given to SMEs within the reform of the VAT system. From January 2012, all firms must report VAT and employment tax separately, and this has to be done monthly instead of annually. However, firms with a turnover below EUR 100 000 may continue to report VAT once a year, and VAT is no longer part of preliminary taxes, which should ease the cash shortage on small companies.

5.4 Running a business

In this section, the environment for conducting entrepreneurship in Latvia, Estonia, Finland and Sweden is examined. The indicators/criteria for the examination have been selected as follows:

- new product development;
- patents;
- product introduction;
- entering foreign markets.

Latvia

New product development

Innovation Policy

According to the Cabinet of Ministers Regulations No.271 of March 23, 2010

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53 EC. SBA Fact Sheet 2012. Sweden
54 http://www.em.gov.lv/em/2nd/?cat=30151
“Regulation of the Ministry Economics”, the Ministry of Economics of the Republic of Latvia is the lead government body in the field of economic policy, and is responsible for the development and implementation of innovation and industrial policy in Latvia.

On the June 28, 2007 Cabinet of Ministers approved Entrepreneurship Competitiveness and Innovation Promotion Program for 2007-2013, developed by the Ministry of Economics.

The Program identifies directions of action to promote (a) business competitiveness, (b) innovative activity and (c) industrial development, as well as describing the vision of competitiveness promotion and innovation and industry development for the 7 year period.

One of the main goals of Program is to promote increase of national innovation system's capacity and effectiveness by establishing a regulatory, financial and informational environment for innovation. According to the Program, increase of the national innovation system will be achieved by implementing such actions:

- promotion of knowledge and innovation by increasing public and promoting private investments in development and scientific activity;
- encouragement of knowledge and technology transfer;
- increase of innovation capacity by developing favorable institutional environment for innovation activity;
- promotion of cooperation between science, education and private sector;
- providing support for the development of new products and technologies.

In the EU27, on average 53% of enterprises from industry and services reported innovation activity between 2008 and 2010. Latvia had one of the lowest proportions of enterprises with innovation activity – only 30% of enterprises reported innovation activity between 2008 and 2010.

Research

There are several scientific institutions in Latvia:

- 11 state research institutes;
- 15 research institutes within universities;
- 6 state universities;
- 15 higher-education establishments with their research units.

The Ministry of Education and Science is responsible for formulating government policy in the area of higher education and science to promote the development of a knowledge-based society and economy in Latvia. Consequently even this Ministry should pay a sufficient attention to entrepreneurial education starting from the first year in elementary school.

The Latvian Academy of Sciences supports the carrying out and promotion of research in the fundamental and applied sciences, provides qualified scientific expertise and participates in preparing and implementing state research and EU-

Baltic regional programs. However during the interviews this institution was not mentioned to be a supporter for enterprises.

**Patents**

The protection of intellectual property rights in the Republic of Latvia does not come under the competence of any single state institution.

The Patent Office (PO) is responsible for implementation of government policy in the field of industrial property rights protection. The Patent Office issues patents, registers trademarks, designs, inventions and topographies of semiconductor products, and encourages people to understand why the protection of these rights is necessary in the country. Protection of industrial property rights in the Republic of Latvia is implemented under the Patent Law, the Law on Trademarks and Indications of Geographical Origin, the Law on Designs and the Law on the Protection of Topographies of Semiconductor Products.

The Patent Office, within the scope of its competence, drafts regulatory enactments, organizes qualification examinations of professional patent attorneys, advises legal entities and natural persons on industrial property issues.

**Patent Office of the Republic of Latvia**

Applications are submitted and all registration procedure documentation and correspondence involved in the registration process shall be in Latvian. Documents in foreign languages may be submitted, if a translation into Latvian certified according to statutory requirements is added.

At any stage of the application procedure, the applicant may withdraw the whole application or correct it. However, the fees paid are not refunded.

The Registration procedure for intellectual property rights can be viewed in the national e-services portal Latvija.lv and on the Patent Office website.

**Product introduction**

In 2010 there were 225 enterprises that have introduced new or significantly improved products that were new to the market, which is only 0.3% of all registered enterprises in Latvia; additionally, 251 enterprises engaged in market introduction of innovations (Table 5.6.).

In 2010 survey by Investment and Development Agency of Latvia it was concluded that a little more than half of the surveyed companies plan to introduce a new product to the market is; furthermore 27% of companies have already reached an agreement on this particular project. However the actual results clearly indicate the huge gap between the intention and practical outcome. This is suggesting that there are some barriers that are vital for implementation of the plan for new product development.

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Entering foreign markets

In 2010 there were 286 Latvian controlled groups with affiliates abroad. Of the 286 Latvian groups with affiliates abroad in 2010, 199 groups (69%) had affiliates in the European Union, with 102 in Lithuania. 87 groups had affiliates outside the EU; 29 in Russian Federation and 17 in Canada (33 and 19.5% respectively).

In 2011 internal EU27 trade constituted 6224 million EUR which is 66% of all exports; exports to countries outside EU27 were worth 3208 million EUR (34%)\(^6\).

Estonia

New product development\(^6\)

The authority responsible for developing innovation policy in the Republic of Estonia is the Ministry of Economic Affairs and Communications, in which the Innovation Policy Committee has been established as a consulting body.

The purposes of innovation policy are:

- the competitive quality of research and development and increase in volume;
- innovative business creating added value in the global economy;
- innovation friendly society aimed at long-term development.

Innovation, in a broader sense, also includes the modification of design, the distribution of new products as a result of technological transfer, etc.

Research

The main guideline document for Estonian RD&I policy is "Knowledge-based Estonia", the Estonian Research, Development and Innovation Strategy 2007-2013, which was approved by the Estonian parliament in 2007. The strategy outlines the aspiration of Estonia to become a knowledge-based society where research and development are valued highly as one of the preconditions for the functioning and development of the entire society. This strategy is a follow-up to the research and development strategy 2002-2006 "Knowledge-based Estonia".

Key principles\(^6\):

- promote high-quality and internationally competitive research;
- develop conditions for sustainable growth of RD&I system;
- focus on human potential and infrastructure;
- support for innovation projects which create high economic surplus value.

National R&D programs will be launched for:

- developing key technologies;
- information and communication technologies;

• bio technologies;
• material technologies;
• solving socio-economic problems (e.g. in the field of energy, national defense and security, health care, environment protection and information society);
• ensuring and promoting the sustainability of research related to Estonian national culture, language, history, nature and the Estonian state.

To achieve these objectives, the strategy establishes the target of raising the total amount of R&D investment to 3.0% from GDP by 2014.

**Research and development institutions**

Most research and development in Estonia is performed at the universities. The largest public research university is the University of Tartu, followed by the Tallinn University of Technology, Tallinn University and the Estonian University of Life Sciences. There are, however, also several independent research institutes that perform research at a high level; the largest state research organizations are The Estonian Biocentre; Tartu Observatory; Estonian Literary Museum, and The Institute of the Estonian Language. Today nearly all basic research is conducted in the public sector; the private sector focuses mainly on product development and innovation.

A research and development institution may be established as a state agency, a local government agency, a legal person in public law, an agency of a legal person in public law, or a legal person in private law, the principal activity of which is research and development and which is registered in the sub-register of research and development institutions.

The Research and Development Council, funded by the Estonian government, consults the government on research and development issues.

In Estonia 56.8% of enterprises reported innovation activity which is above the EU27 52.9 average.

**Patents**

The types of intellectual property are:

• copyright;
• industrial property, including trademarks, patents, utility models, industrial design, geographical indications and layout design of integrated circuits.

Different types of intellectual property protect the different aspects of intellectual creations.

The proprietor of a patent may transfer the patent to another person. The proprietor of a patent may, pursuant to a license agreement, grant the use of the

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rights of the proprietor of the patent listed in the Act to another person or persons in part or in full. The rules are provided for in the Patents Act.

A patent shall be valid for 20 years as of the filing date of the patent application.

A person who is interested in using a patented invention and is capable of doing so in Estonia, may, upon refusal of the proprietor of the patent to grant a license, file an action in court for acquiring a compulsory license if:

- the proprietor of the patent has not used the invention in Estonia within three years after publication of the notice concerning the issue of the patent or within four years after filing a patent application;
- the proprietor of the patent does not use the invention to the full extent;
- the patent hinders the use of another, technically advanced invention significant for the Estonian economy;
- national defense, environmental protection, public health and other significant national interests of the Republic of Estonia require the use of the invention, including the need to use the invention in connection with a natural disaster or other emergency;
- the patent hinders the grant of plant variety rights pursuant to the Plant Propagation and Plant Variety Rights Act or the use of a plant variety which is granted legal protection.

Several organizations deal with issues related to the protection of intellectual property. The Patent Office deals with the protection of industrial design, while copyright protection is performed by third sector organizations, such as creative unions and authors’ associations.

Copyright is applicable from the moment of creation of a work; thus registration or other formalities are not required. Copyright is also applied to the interim stages of a work (sketches, drafts, designs).

For the protection of industrial property the registration of an invention, trademark or industrial design must be filed with the Patent Office.

New product introduction

In 2010 there were 391 enterprises that have introduced new or significantly improved products that were new to the market, which is 0.75% of all registered enterprises in Estonia; additionally, 541 enterprises engaged in market introduction of innovations (Table 5.6.).

Entering foreign markets

In 2010 150 Estonian enterprises/groups had affiliates outside the EU. 2477 enterprises in Estonia exported to other EU countries and additionally 1091 enterprises exported to countries located outside European Union.

Financially, exports to EU27 countries were worth 7959 million EUR (66% of all exports); Exports to external EU27 countries were worth 4053 Million EUR (34%).

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Finland

New product development\textsuperscript{67}

Innovation policy refers to the decisions taken to develop the innovation system. The Ministry of Employment and the Economy is responsible for most decisions on innovation policy. Development of Finland’s innovation system is coordinated by the Research and Innovation Council, led by the Prime Minister.

The aim of the national innovation strategy is to extend and diversify innovation policy and its implementation. An extensive innovation policy will affect the knowledge-based competitiveness and regeneration of the business sector, economy and regions. It will promote the exploitation of innovation in the public sector and in society as a whole.

The Government’s innovation policy focus areas include environmental business, the mining industry and the forest and bioeconomy sectors. In addition to industry, the Government is placing a greater emphasis on the service sectors as sources of growth. Public funding for research, development and innovation activity is being targeted accordingly.

The development and exploitation of innovations and technology, and the planning and directing of funding for innovation, product development and technology, falls under the jurisdiction of the Ministry of Employment and the Economy (TEM).

Inventions are solutions that can be applied to a problem in a new and surprising way. An invention can either be a new device or method, or an improvement to an existing one. An invention might also be based on a novel application of familiar technology. The Foundation for Finnish Inventions assists with the development of inventions and innovative business ideas.

In Estonia 56.2\% of enterprises reported innovation activity which is above the EU27 52.9\% average\textsuperscript{68}.

Research

In Finland, science policy is the responsibility of the Ministry of Education and Culture.

The aim of the science policy is to reinforce knowledge and expertise, as well as the international level and visibility of Finnish science.

The Ministry of Employment and the Economy (TEM), the Finnish Funding Agency for Technology and Innovation (Tekes) and the Academy of Finland are the main public research and development organizations in Finland.

Nearly EUR 7.2 billion was spent on research and development activities in Finland in 2011. The total amount of R&D expenditure was close to EUR 200 million larger than in 2010\textsuperscript{69}.

\textsuperscript{67} http://www.tem.fi/index.phtml?l=en&s=4946
\textsuperscript{68} http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/9-11012013-AP/EN/9-11012013-AP-EN.PDF
\textsuperscript{69} http://www.research.fi/en/resources/R_D_expenditure.html
The following aspects of business activity may be protected: trading name (name used), patent (invention), utility model (invention), design (outward form or decoration of the goods) and trademark (different identifiers).

Under the Trademarks Act, the sole right to a trademark as a special identifier may be registered for goods that are to be offered for sale or otherwise traded as part of business activity, in order to distinguish them from other goods.

Industrial property rights are a way of protecting a company’s expertise and work results. The more business knowledge is based on know-how, the development of new products (goods or services) or well-known branded products, the more businesses will have unique expertise and intangible rights. These make up a company’s intangible assets, which should be protected and reserved entirely for the company’s own use.

The National Board of Patents and Registration (PRH) promotes technical and economic development and intangible rights, both in Finland and internationally.

The PRH works globally and has extensive international contacts. Its partners include the World Intellectual Property Organization (WIPO), the European Patent Office (EPO), the EU Office for Harmonization in the Internal Market (Trade Marks and Designs), OHIM, which operates in the internal market, and sister offices in Sweden, Denmark, Norway, Iceland and Estonia.

In Finland, copyright issues are the responsibility of the Ministry of Education and Culture.

Product introduction

In 2010 there were 1529 enterprises that have introduced new or significantly improved products that were new to the market, which is 0.7% of all registered enterprises in Finland; additionally, 1476 enterprises engaged in market introduction of innovations (Table 5.6).

Entering foreign markets

Finnish enterprises had business activity in 4,733 affiliates located in 118 countries in 2010. 60% of the affiliates were located in the EU27; 788 were located in other non-EU European countries. Overall, 1874 affiliates were conducting their business outside European Union, with the most popular overseas location being Asia and Oceania (607 affiliates).

In 2011 internal EU27 trade constituted 31663 million EUR which is 56% of all exports; exports to countries outside EU27 were worth 25192 million EUR (44%). In this aspect Finland is different to Estonia and Latvia with larger proportion of exports outside European Union.

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Swed en

New product development

The authority responsible for developing innovation policy in Sweden is The Ministry of Enterprise, Energy and Communications; additionally, is responsible for issues concerning regional development, energy, transport, infrastructure, information technology and the business sector.

With the highest innovation performance of all compared countries within the European Innovation Scoreboard, the Swedish national innovation system shows clear strengths in several areas. A stable macroeconomic environment, a well-educated workforce, a handful of R&D-intensive multinational corporations, ambitious public investment in activities related to innovation and state of the art scientific performance form together the basis for innovation activities in Sweden. These strengths are reinforced by Sweden’s integration into global markets.

Despite the strengths, several weaknesses exist. Extensive decreases in activities among the dominating industrial groups combined with low levels of investments in the business community and an inability to achieve effective job creation, has put pressure on the Swedish innovation system. In recent time a decreasing rate of business R&D spending and a termination of the Swedish model for public private partnership has accelerated these weaknesses.

In Sweden, the Ministry of Education and Science and the Ministry of Industry, Employment and Communications handle issues affecting innovation. The general visions for the national innovation policy in Sweden are stated in the strategy “Innovative Sweden”. The strategy is an attempt to achieve growth through renewal and is geared towards: the creation of a knowledge base for innovation, development of an innovative trade and industry, the use of innovative public investments and the promotion of innovative people. The strategy is implemented by several decentralized and agency based measures.

Much of the recent innovation action at the national level are focused on strategic programs for key industries, a better structure for seed financing, focused R&D investments in engineering, life sciences and natural sciences combined with measures to strengthen the industrial institutes and innovation activities in SMEs.

In 2010 Sweden with 59.6% had one of the highest proportions of enterprises with innovation activity in EU27.

Research

Nearly four percent of Sweden’s GDP goes for research and development, one of the highest rates in the world. As a result, Sweden has a leading position in areas like environmental technology, cancer research and nanotechnology. The bulk of the research taking place in Sweden — about 75% - is financed by companies. These investments have helped companies including Ericsson, Sandvik and the Volvo Group become leaders in their fields.

The government continues to invest in educational research and has earmarked

SEK 110 billion for 2009-2012 to help fund the next generation of technological and scientific breakthroughs.

Ministry of Education, Research and, is responsible for matters regarding research in Sweden.

Education and research takes place at the higher education institutions. In Sweden there are 39 universities and institutions of higher education, whose primary tasks are to provide undergraduate and postgraduate education and to interact with the surrounding community.

Additionally, there are research councils and agencies:

- VINNOVA, Swedish Governmental Agency for Innovation Systems;
- Vetenskapsrådet, Swedish Research Council;
- Formas: Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning;

Research is also done in research foundations, research academies and private research foundations.

**Patent**

Intellectual property (IP) refers to creations of the mind - inventions, literary and artistic works, symbols, names, images, and designs used in commerce. They are protected against infringement through IP regulations.

The main Swedish IP laws are as follows: Copyright Act; Patent Act; Trademark Act; Trade Names Act.

A patent is a sole right to exploit an invention. Nobody may use the invention commercially, such as by manufacturing, selling or importing it, without the inventor’s permission.

The patent generally applies for 20 years; some pharmaceuticals and plant-protection agents can receive a further five years’ protection. Others may only use your invention once the period of patent has expired.

A national patent applicable in Sweden costs on average SEK 50 000–70 000. An annual fee is charged for patent maintenance.

The Swedish Patent and Registration Office (PRV) grants protection for and the sole rights to technical ideas, trademarks and designs.

A European patent application can be made using a Swedish form in the eOLF client software which is administered by the European Patent Office (EPO).

A formal examination of the application is made, which is then followed up by a technical test. In order to be granted a patent, the invention must be new, exhibit inventiveness, be able to be used industrially.

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**Product introduction**\(^{77}\)

According to the Swedish Product Safety Act, goods and services provided by entrepreneurs must be safe. The Swedish Consumer Agency is responsible for checking the safety of toys, personal safety equipment and goods and services not covered by special product directives within the EU.

In 2010 there were 4279 enterprises that have introduced new or significantly improved products that were new to the market, which is 0.7% of all registered enterprises in Sweden; additionally, 2786 enterprises engaged in market introduction of innovations (Table 5.6.).

**Entering foreign markets**

In 2010 there were 2,288 Swedish controlled groups with affiliates abroad, an increase of 812 groups since 2009. A large part of the increase derives from a changed definition over which enterprise groups that should be included in the population.

Of the 2,288 Swedish groups with affiliates abroad in 2010, 707 groups (31%) had affiliates in Norway. Between 15% and 20% of the groups had affiliates in the other Scandinavian countries, the UK, Germany and the USA\(^{78}\).

Financially, exports in 2011 to EU27 countries were worth 75297 million EUR (56% of all exports); Exports to external EU27 countries were worth 59032 Million EUR (34%).

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\(^{78}\) [http://www.tillvaxtanlys.se/download/18.56ef093c139bf3ef8902a81/1349864425215/Statistik_2012_04.pdf](http://www.tillvaxtanlys.se/download/18.56ef093c139bf3ef8902a81/1349864425215/Statistik_2012_04.pdf)
<table>
<thead>
<tr>
<th>Country</th>
<th>Enterprises that have introduced new or significantly improved products that were new to the market (% of all enterprises)</th>
<th>Patent applications</th>
<th>Enterprises engaged in market introduction of innovations (% of all enterprises)</th>
<th>Enterprises that sell goods and/or services in other EU, EFTA or EU-candidate countries (% of all enterprises)</th>
<th>Number of SMEs that export (% of all enterprises)</th>
<th>Number of SMEs that import (% of all enterprises)</th>
<th>Outward FATS(^79) (% of all enterprises)</th>
<th>Total Amount of Enterprises (^80)</th>
<th>Population (January 1, 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>225/ (0.3%)</td>
<td>183</td>
<td>251/ (0.3%)</td>
<td>305/ (0.4%)</td>
<td>1606/ (2.0%)</td>
<td>203/ (0.2%)</td>
<td>883/ (1.1%)</td>
<td>1391/ (1.7%)</td>
<td>5905/ (7.3%)</td>
</tr>
<tr>
<td>Estonia</td>
<td>391 / (0.7%)</td>
<td>77</td>
<td>541/ (1.0%)</td>
<td>719/ (1.4%)</td>
<td>974/ (1.9%)</td>
<td>343/ (0.7%)</td>
<td>301/ (0.6%)</td>
<td>2477/ (4.7%)</td>
<td>1091/ (2.1%)</td>
</tr>
<tr>
<td>Finland</td>
<td>1529/ (0.7%)</td>
<td>1774</td>
<td>1476/ (0.7%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3789/ (1.7%)</td>
<td>3053/ (1.4%)</td>
<td>8255/ (3.7%)</td>
</tr>
<tr>
<td>Sweden</td>
<td>4279/ (0.7%)</td>
<td>2341</td>
<td>2786/ (0.5%)</td>
<td>3484/ (0.6%)</td>
<td>2617/ (0.4%)</td>
<td>2268/ (0.4%)</td>
<td>1446/ (0.2%)</td>
<td>8703/ (1.4%)</td>
<td>9335/ (1.5%)</td>
</tr>
</tbody>
</table>

Table 5.6. Characteristics of SMEs in Latvia, Estonia, Finland and Sweden

\(^79\) Outward FATS describe the activity of foreign affiliates abroad controlled by residents of the compiling country

\(^80\) Total business economy except financial and insurance activities
5.5 Support from private institutions

Difficult access to finance is among the top concerns (15%) of SMEs in the EU. However the picture is not as dark when looking at figures of accessed loans. Almost two-thirds (63%) of the EU SMEs who applied for a bank loan during the last six months in year 2010 received the whole amount they asked for. However, 11% of the applications were rejected and 17% received less than they applied for. In addition 4% declined the loan offer from the bank because they found the conditions unacceptable. So about one third of the SMEs did not get the finance they had planned for. However the most pressing problem continues to be finding customers (24%)\textsuperscript{81}.

30% of companies are using bank loans and 40% are using bank credit line or overdraft facilities. Bank loans are also the most widely preferred external financing solution to satisfy firms’ growth ambitions (63%)\textsuperscript{82}.

Generally larger (both in terms of staff and turnover) and older enterprises that are more likely to get the external finance that they request. Younger and smaller firms are more likely to get only some of the finance they requested, and, indeed, to be rejected outright. The highest rejection rate was among the micro companies employing less than 10 people (16%) and among SMEs active between 2 and 5 years (24%)\textsuperscript{83}. This clearly indicates that new companies without previous cash flow records are facing sufficient risks of money shortage that in turn will negatively impact both growth and international expansion of companies.

Regarding equity financing, it was used by 7% of the SMEs and the main challenge concerning this source of financing is the lack of investment readiness or financial knowledge\textsuperscript{84}.

**Latvia**\textsuperscript{85}

The most popular method of financing SMEs in Latvia was bank loans. In 2010, the total volume of loans reached 6.2% of the country’s GDP, that is above the 5.65 % EU average. The loans below 1 million EUR were granted with an average interest rate of 7.8%, much above 5.05 % EU average (data from ECB). The percentage of successful loan applications by SMEs was lower in 2010 than in 2007, from 89% of all loan applications in 2007 to 63.5% in 2010 (EUROSTAT 2011).

- Loans

After a peak in 2009 the lending activity in Latvia, measured by total loans volumes, decreased slightly in 2010 and more significantly in 2011, reflecting the current slowdown in the lending activity which can be perceived across the EU. A similar trend can be observed for average interest rates for loans up to

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\textsuperscript{81} European Union. SMEs’ Access to Finance. Survey 2011.
\textsuperscript{82} European Union. SMEs’ Access to Finance. Survey 2011.
\textsuperscript{83} European Union. SMEs’ Access to Finance. Survey 2011.
\textsuperscript{84} European Union. SMEs’ Access to Finance. Survey 2011.
\textsuperscript{85} \url{http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/situations-in-member-states/lv/index_en.htm}
EUR 1 million, which largely fell from the peak of 15.99% in 2009 to 5.025% in 2011. The observations in this chart are based on data from ECB.

Source: European Commission

- Guarantries

European Mutual Guarantee Association (AECM) based data show that the volume and number of granted guarantees, scaled to GDP, in Latvia have had a relatively stable increase along all analyzed years between 2007 and 2009. The recent information from 2010 indicates a significant growth in terms of volumes granted, but the number of beneficiaries is still stable.

Source: European Commission

- Venture Capital

Available data from EVCA bring information regarding summative venture capital activity in Estonia, Latvia and Lithuania. Total venture capital investments in these Baltic countries were largely falling down between 2007 and 2009. In 2010 first signs of recovery were visible but the market did not manage to reach its previous potential. Identical trend was also observed regarding the number of SMEs covered with VC investments.
Description provided above suggests following conclusions: in general the trust for Latvian economy and enterprises is increasing and availability of VC is improving. Thus it can be expected that larger amounts of financing in the future will be available for new product development and international expansion.

**Estonia**

Following information from ECB in 2010, the total volume of loans in Estonia reached 5.6% of the country’s GDP, being almost exactly in line with 5.65% EU average. The loans below 1 million EUR were granted with an average interest rate of 5.7% in 2010, only a little higher than EU average of 5.05%.

- **Loans**
  
  Total loan volumes scaled by GDP inclined in 2008 and 2009. Simultaneously average interest rates for loans up to EUR 1 million fell from 8.78% in 2009 to 5.70% in 2010. In the same period interest rates for overdrafts inclined from 4.98% to 6.55%. The observations in this index are based on data from ECB, unfortunately there is no data available for loan volumes in 2007 and for interest rates in 2011.

- **Guaranties**
  
  Data from AECM show that the volume of granted guarantees scaled to GDP in

[86](http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/situations-in-member-states/ee/index_en.htm)
Estonia was relatively stable from 2006 to 2008, followed by a significant increase in 2009 and 2010. The number of beneficiary SMEs using guarantees had a relatively stable incline from 2006 to 2010.

Source: European Commission

• Venture Capital

Venture capital market, the overview of three Baltic countries is available including joint data for Latvia, Lithuania and Estonia between 2007 and 2010. This dataset indicates that from 2007 up to 2009 the market was characterized by a constant fall of both total volumes of VC investment as well as number beneficiary SMEs benefitting from new deals. In 2010 the market trend was reversed and slight growth was recorded. Volumes increased slightly but still did not manage to reach half of initial value registered in 2007. Number of beneficiary SMEs scaled by GDP rose significantly in 2010, almost recovering to the baseline level. The VC market in the three Baltic countries is on average smaller than the European. The volumes of investments are on the level of 0,09 % scaled by GDP, compared to EU average of 0,17 % and Euro area average of 0,35 %.

Source: European Commission

Similar to Latvia also Estonia can in the future expect easier access to venture capital due to increased confidence on Estonian companies and market in general.

Finland

In Finland the SMEs’ access to credit from private sources involves mainly bank loans. In 2010, the volume of loans reached 3,9% of the country’s GDP and loans

in 2010 were granted with an average interest rate of 2.7% (data from ECB). The percentage of successful loan applications by SMEs was lower in 2010 than in 2007, decreasing from 98.1% of all loan applications in 2007 to 95.9% in 2010 (EUROSTAT 2011). According to EVCA data, in 2010 there were 371 venture capital investments in 224 companies amounting to 0.55% of Finland’s GDP (EU average 0.17%). Both early stage and expansion stage VC investments (relative to GDP), were much above the EU-27 averages in all analyzed years (data from EVCA).

- Loans

As for most EU countries the volume of loans below EUR 1 million had an ascending evolution up to 2009 followed by a decline in 2010 and possibly in 2011. Interest rates for loans up to EUR 1 million fell markedly from 5.57% in 2008 to 2.66% in 2010; this trend also applied to interest rates for overdrafts. The observations in the index are based on ECB data.

Source: European Commission

- Venture Capital

EVCA data show that the performance of venture capital in Finland was marked with a negative trend from the start of the financial crisis up to 2009. In 2010 the total venture capital increased again but the market didn’t manage to recover the high point reached in 2007. Finland is also characterized with a high share of investments in seed and start-up in the overall VC investments, being on the level of 0.37% of GDP in 2010, while EU average is shaped on the level of 0.13%.

Source: European Commission
Business angels

The volume of business angels’ investments fell in recent years in Finland. Data from EBAN indicate the market decreased from 2006 to 2009, although not dramatically. This trend also applies for the number of deals where business angels invested, albeit an increase from 2008 to 2009.

Source: European Commission

The above described data suggest that amount of money available from VC is stagnating. Also some signs of risk diversification can be observed since the invested volume is distributed to a larger number of companies.

Sweden

In 2010, the volume of loans reached 6.2% of the country’s GDP, compared to 5.65% EU average. The loans up to 1 mln EUR were granted with an average interest rate of 3.60% in 2010, being lower than 5.05% EU average (data from ECB). The percentage of successful loan applications by SMEs was lower in 2010 than in 2007, from 84.2% of all loan applications in 2007 to 79.7% in 2010. The share of SMEs experiencing problems with access to finance was around 21% (EUROSTAT 2011). The share of early stage venture capital availability relative to GDP was 0.09% for Sweden versus 0.02% for the EU-27 on average (Annual Report on EU SMEs 2009). In 2010, there were 606 venture investments in the amount of 0.67% GDP (data from EVCA).

Loans

Overall loan volumes were relatively steady in Sweden over 2007-2010, with a peak registered in 2009. Simultaneously average interest rates for loans up to EUR 1 million was one of the lowest in 2009 with an interest rate of 2.45%; in 2011 the interest rate had increased to 3.60%. The observations are based on data from ECB.

Source: European Commission

- Guaranties

The availability of data on the use of loan guarantees in Sweden is rather limited. According to data gathered by AECM, the volume of granted guarantees scaled by GDP increased substantially from 2006 to 2007. From 2007 to 2008 the index value declined, but in 2008 was still on a higher level than in 2006.

Source: European Commission

- Venture Capital

EVCA-based data show that the performance of venture capital in Sweden was marked with a negative trend from the start of the financial crisis up to 2009, as the total venture capital investments fell. The negative trend especially visible between 2008 and 2009 was stopped in 2010 when the market was stabilized. However during the same period of time Baltic countries Estonia and Latvia could show some increase in VC supply showing that those countries are becoming more interesting for risk capitalists.
Business angels finance

EBAN-based data show that the volume of business angels’ investments in SMEs, after an incline from 2005 to 2006, has been on a relatively stable high level for three years. From 2008 to 2009 the index value took a big fall that brought the value to a very low level compared to previous years.

Available financial support for SMEs in Latvia, Estonia, Finland and Sweden is provided in Annex 1. If to make comparisons between these four countries then financial support is considerably larger in countries with longer history of entrepreneurship and higher level of innovations, that is, Finland and Sweden. However the latest trends in those countries show some reconsideration of the investments alternatives since amount of investments from risk capitalists is stagnating or declining.

5.6 Developed public or private support programs

Reflecting the widespread recognition of the importance of internationally-active SMEs in subnational/regional, national, and global economies, there has been a rather well established tradition by public agencies and the organized private sector institutions of supporting the internationalization activities of SMEs, mainly through appropriate interventions to redress market failures.

This chapter examines the extent to which current support programs in target countries – Latvia, Estonia, Finland and Sweden, appear to address the main internationalization barriers highlighted earlier in this report (Table 5.7.):

- financial barriers;

Most OECD countries provide a range of support measures to redress the financial limitations identified as a top barrier to SME internationalization. Most of these interventions comply with the OECD requirement that they are deployed to correct observed market failures and are mainly medium and longer term export credits (over two years) rather than shorter term credits (under two years), which are not allowed amongst EU member states. Available support takes a variety of forms, including export credit guarantees,

89 OECD. Top Barriers and Drivers to SME Internationalization. 2009
pre-shipment financing, and working capital augmenting facilities.\textsuperscript{90}

- informational and contact barriers;

A range of support programs are also available to tackle critical SME internationalization barriers such as identifying foreign business opportunities, locating or analyzing markets, and contacting potential overseas customers and partners.\textsuperscript{91}

- managerial capacity barriers.

Support programs for addressing internationalization barriers related with SMEs limited managerial skills and knowledge are also identified in several countries.\textsuperscript{92}

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
</tr>
</thead>
</table>
| Latvia  | Guarantees for SMEs: Latvian Guarantee agency (www.lga.lv). provides:  
- credit guarantees;  
- export credit guarantees;  
- mezzanine loan;  
- risk capital.  
Rural development fund provide loan guarantees for SMEs in rural areas. |
| Lithuania | JSC "Investicijų ir verslo garantijos" provide financial services, to implement and administer financial and other support measures for small and medium businesses.  
The Credit and Export Guarantee Fund "KredEx", provides export financing to SMEs and insures them against export-related credit risks. |
| Estonia  | The Credit and Export Guarantee Fund "KredEx", provides export financing to SMEs and insures them against export-related credit risks. |
| Finland  | The Finnish Ministry of Trade and Industry provides financing and guarantees to support SME working capital needs and internationalization efforts.  
Finvera provide different kind of access to finance instruments |
| Sweden   | The Swedish Export Credit Corporation (SEK) grants export credits at subsidized and concessionary rates to SMEs. |

**INFORMATIONAL AND CONTACT BARRIERS**

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>Latvian Development Agency Consultative support for membership of enterprises in international fairs and trade missions.</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Enterprise Lithuania offers quality services aimed at helping foreign companies to find the right Lithuanian producers and service providers.</td>
</tr>
<tr>
<td>Estonia</td>
<td>Enterprise Estonia provides information, consulting and export support to Estonian SMEs.</td>
</tr>
<tr>
<td>Finland</td>
<td>The organised private sector-run Finpro has 53 Trade Centres/Offices in over 40 countries offering consulting advice, trade fair support etc.</td>
</tr>
</tbody>
</table>

\textsuperscript{90} OECD. Top Barriers and Drivers to SME Internationalization. 2009

\textsuperscript{91} OECD. Top Barriers and Drivers to SME Internationalization. 2009

\textsuperscript{92} OECD. Top Barriers and Drivers to SME Internationalization. 2009
“Move or Stay & Improve” aims to give SMEs deeper information on more variables than just labour cost in other countries in order to create more secure decisions in international business. It is a computerized tool where the SMEs own result report and balance sheet are the basic documents. Figures for 18 different factors are filled in to compare the situation in 10 different countries. In the calculation it is possible to see how the company’s revenue will change if they move the business to different countries. The tool is currently being developed to simulate different improvement activities if the company chooses to stay at home and to see what effect these activities should bring to the company’s revenue.

### MANAGERIAL CAPACITY BARRIERS

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>Support for raising of qualification, re-qualification and lifelong education.</td>
</tr>
<tr>
<td>Estonia</td>
<td>Enterprise Estonia trains SME staff, including managers, on contemporary management methods and provides export information and consultancy on internationalization.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Company coach - a program developed by Almi that is aimed to provide necessary competence and managerial capacity for company development.</td>
</tr>
<tr>
<td>Finland</td>
<td>Tekes Learning solution program The objective of the programme is to develop internationally important learning solutions in cooperation with participants in the sector, to develop new operating approaches, create new skills and develop products, services and comprehensive packages for international markets.</td>
</tr>
</tbody>
</table>

Table 5.7. Sample programs for redressing main barriers to SME internationalization in target countries

Source: Adapted from various sources

### 5.7 Available state support instruments for SMEs

#### Latvia

SME policy and SME state support in Latvia is formed and coordinated by the Ministry of Economics. The Ministry of Economics is responsible for defining and coordinating government policy on assistance to enterprises.

Main providers of state support for development of entrepreneurship are:

- The Investment and Development Agency of Latvia (LIAA)

LIAA is a state institution subordinated to the Ministry of Economics of the Republic of Latvia. LIAA provides information on starting and developing a business, available EU funded support programs and international export opportunities. LIAA offers assistance throughout the process of setting up operations in Latvia, acting as a first point of contact and as a ‘one-stop-shop’ in assisting investors and in developing tailored solutions to meet their specific needs. LIAA has its own regularly updated database of Latvian enterprises to facilitate partner searches for investment projects and for exporting.


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subcontracting businesses. The Agency also operates the wide database of different types of real estate suitable for different kind of investment projects.

- **The State Regional Development Agency (SRDA)**

SRDA is known in the regions of Latvia as a national regulatory authority promoting regional development. The SRDA is an authority operating under the supervision of the Ministry of Environmental Protection and Regional Development, and it is managing the programs of state support and the activities of the European Union Structural Funds. SRDA is, within the limits of its competence, implementing:

  - the establishment of activities financed by the State, European Union Structural Funds and other financial means;
  - regional development research;
  - ensuring the operation of international secretariat programs and information points.

The Agency's activities are dedicated not only to businesses in especially supported areas, but also to municipal and non-governmental organizations.

- **Latvian Chamber of Commerce and Industry (LCCI)**

LCCI is a non-governmental, voluntary organization uniting Latvian companies of different sectors. The aim of the organization is to create favorable business environment, represent economic interests of Latvia's enterprises and offer business promotion services. LCCI represents business interests through a dialogue with national and local governments and participates in the drafting of commercial legislation in Latvia.

In 2009, more than 800 Latvian companies were represented in the LCCI from all economic sectors.

Regional offices of the association are operating in the cities of Daugavpils, Jelgava, Jekabpils, Liepaja, Valmiera, Ventspils, and Rezekne.

LCCI offers wide range of services not only to its members but also to all merchants. Services available to all entrepreneurs include:

  - incoming trade missions;
  - export consultation (services);
  - certificates of origin, ATA carnets;
  - information regarding the European Union: Europe Direct information centers in Latvia;
  - database of contact details of LCCI Members (contact exchange);
  - research and specialized consultation;

94 [http://www.liaa.lv/about/about-liaa/organisation](http://www.liaa.lv/about/about-liaa/organisation)
95 [http://www.chamber.lv/en](http://www.chamber.lv/en)
- thematic afternoon meetings of entrepreneurs;
- training, seminars, conferences;
- LCCI court of arbitration;
- mediation services;
- rent of the LCCI premises;
- placing of advertising at the LCCI events and on www.chamber.lv.

**Rural Support Service (RSS)**

The Rural Support Service is a state administration institution. It was established on 1 January 2000, and operates under the supervision of the Ministry of Agriculture in accordance with the Law on Rural Support Service.

The Rural Support Service is responsible for implementation of a unified state and European Union (EU) support policy in the sector of agriculture, forestry, fisheries and rural development; it supervises compliance of the sector with the laws and regulations and fulfils other functions connected with agriculture and implementation of rural support policy.

In the framework of its competence, the Rural Support Service administers the EU and state support for rural areas, agriculture, forestry and fisheries. It accepts and assesses project applications, makes decisions on allocation or rejecting of financing and keeps records of the granted financing and controls the use of it.

The Rural Support Service consists of the central office located in Riga and of territorial structural units – nine regional agricultural departments.

**Latvian Guarantee Agency Ltd**

LGA is a State Limited Liability company, which provides support to Latvian businesses for implementing business ideas. LGA helps entrepreneurs to get new financial investment, by giving credit, export guarantees and mezzanine loans.

The LGA has been in existence since 1998 and the holder of its shares is the Ministry of Economics of the Republic of Latvia.

State support for development of entrepreneurship of SMEs is carried out in form of financial support programs being managed by various cooperation institutions (see Table 5.8.).

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<table>
<thead>
<tr>
<th>Support program</th>
<th>Cooperation institutions/ Implementer of project</th>
<th>Total public funding, LVL</th>
<th>Acceptance of project applications</th>
</tr>
</thead>
</table>

Table 5.8. State support programs

**Estonia**

Implementation of the national support system for entrepreneurship (Enterprise Policy 2007-2013) in Estonia is coordinated by the Ministry of Economic Affairs and Communications, except the development of the legal environment which is under the Ministry of Justice.

Theimplementing bodies for the activities carried out by the Ministry of Economic Affairs and Communications are:

- Enterprise Estonia;

  *Enterprise Estonia (EAS), established in 2000, promotes business and regional development in Estonia. Enterprise Estonia is one of the largest institutions within the national support system for entrepreneurship, providing financial assistance, advisory, cooperation opportunities and training for entrepreneurs, research establishments, public and third sector*[^99].

- the Estonian Credit and Export Guarantee Fund: KredEx;

  *KredEx is a financing institution helping Estonian enterprises develop quicker and expand more safely to foreign markets, offering loans, credit insurance and guarantees with state guarantee[^100].*

- county development centers.

In relation to expanding business, training employees, etc, considerable support is offered by:

- **the Rural Development Foundation**;

  *The Estonian Rural Development Foundation* was founded by The Government of the Republic of Estonia in 1993. The foundation issued guarantees to banks for credits granted to farmers and other entrepreneurs in Estonian rural areas.

- **Estonian Chamber of Commerce and Industry (ECCI)**;

  The mission of the *Estonian Chamber of Commerce and Industry (ECCI)* is to develop entrepreneurship in Estonia. The ECCI is an active partner to the parliament, government and ministries in designing the economic policy and climate. Whenever tax policies, corporate law, laws on property and obligations, foreign trade and EU-related issues or professional qualification are discussed, the Chamber speaks actively on the behalf of the Estonian business community.

  The ECCI provides many business-related services – consultation (legal, foreign trade, EU-related), business match-making (trade missions, trade fair visits, presentations), information services (business contacts, co-operation proposals etc.), training and foreign trade documents.

- **The Estonian Development Fund (EDF)**.

  *The Estonian Development Fund* (EDF) was launched in April 2007. It was created by the Riigikogu (Estonian Parliament) with the purpose of initiating and supporting changes in the Estonian economy and society that would accelerate modernization of Estonian economic structure, lead to growth in exports and contribute to creating new jobs requiring high qualifications.

  In order to achieve these goals, EDF organize foresight projects and, in cooperation with private investors, make venture capital investments into Estonian companies that are innovative, expanding and have international potential.

**Finland**

Since the 1990s, Finland has been constantly ranked highly in innovation performance rankings even if the first national innovation strategy was formulated as late as in 2008. The success has been a result of a strong emphasis on science and educational policy on the one hand as well as, perhaps more importantly, of the impressive progress of single industrial clusters and even individual multinational large firms on the other\textsuperscript{101}.

The Finnish Innovation System consists of suppliers and users of knowledge (Table 5.8). The national science, technology, and innovation policies are formulated by the Science and Technology Policy Council (STPC) of Finland, chaired by the Prime Minister and governed by the Ministry of Education, Ministry of Employment and of the Economy and other ministries. The Academy of Finland and Tekes (the Finnish Funding Agency for Technology and

\textsuperscript{101} Comprehensive analysis of programmes and Initiatives in Finland that assist the collaboration between science and SMEs. Project MaPEeR SME. 2011
Innovation), are the primary financers of science and technology policy implementation. The Academy of Finland emphasizes basic research. Tekes finances primarily applied technology R&D carried out in research collaborations between business, research institutes, and universities. Other financing bodies under the Ministry of Employment and of the Economy: Finpro, Finnvera, the Foundation of Finnish Inventions, Centres for Economic Development, Transport and the Environment and Finnish Industry Investment Ltd¹⁰².

<table>
<thead>
<tr>
<th>Responsible authority</th>
<th>Role (designing, implementing R&amp;D policy)</th>
<th>Website (if available)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tekes</td>
<td>Financing for companies and research institutes (applied research), technology programs</td>
<td><a href="http://www.tekes.fi">www.tekes.fi</a></td>
</tr>
<tr>
<td>Academy of Finland</td>
<td>Financing for researchers and research organizations (basic research)</td>
<td><a href="http://www.aka.fi">www.aka.fi</a></td>
</tr>
<tr>
<td>Sitra, the Finnish Innovation Fund</td>
<td>Promoting systemic changes in Finland Financing for growth companies (venture capital investments)</td>
<td><a href="http://www.sitra.fi">www.sitra.fi</a></td>
</tr>
<tr>
<td>Strategic Centres for Science, Technology and Innovation</td>
<td>New public-private partnerships for speeding up innovation processes</td>
<td><a href="http://www.tekes.fi/en/community/StrategicCentresforScience_0Technology0and0Innovation/360/StrategicCentresforScience_0Technology">http://www.tekes.fi/en/community/StrategicCentresforScience_0Technology0and0Innovation/360/StrategicCentresforScience_0Technology</a></td>
</tr>
</tbody>
</table>

¹⁰² Comprehensive analysis of programmes and Initiatives in Finland that assist the collaboration between science and SMEs. Project MaPeeR SME. 2011
Table 5.8. Main actors in the national R&D system in Finland

Source: Comprehensive analysis of programs and initiatives in Finland that assist the collaboration between science and SMEs. Project MaP/EeR SME, 2011

Sweden

The Swedish market for support services is dominated by public and semi-public providers with the private involvement clearly increasing within the last years. The service providers are to be found at central, regional and local level. However, there has been a movement concerning the organization of the contact points from central down to regional level during the last years. This development resulted from the emergence of new service providers as well as from the fact, that a number of national systems have decentralized their work and channeled resources to regional players.

Among the most important public providers are:

- the Swedish Business Development Agency (NUTEK);
- ALMI Business Partner AB (Almi Företagspartner);

ALMI Företagspartner AB is a state-owned company offering business development and financing. It provides information and advice, as well as entrepreneurship courses.103

- the Swedish Trade Council (Exportrådet).

The Swedish Trade Council offers free services, such as information and advice on matters concerning new markets and doing business between Swedish and foreign companies.104

Publicly provided services are also initiated by:

- the Chamber of Commerce (Handelskammaren);
- the County Administrative Board (Länsstyrelsen);
- the National Labour Market Board (AMS);
- the municipalities (Kommunen);
- science parks (Teknikparker);
- etc.

NUTEK and the Swedish Trade Council are national providers; i.e. these organizations administer public funds, have central headquarters, but their activities cover all regions in Sweden. ALMI and the County Administrative Board are regional providers. Semi-public service provision is, for instance, organized and supported by the “Swedish Jobs and Society Foundation”, which founded 90 local Enterprise Agencies (NyföretagarCentrum) since 1985. (The idea of active support for new Enterprise Agencies has spread via the Swedish Jobs and Society

Foundation to Finland, Denmark, Estonia and Latvia). Those agencies are organized as one-stop-shops and provide new entrepreneurs with help, information and advice.

5.8 Other types of support

Main types of support for SMEs are described in the previous subchapters. This subchapter contains information about most noticeable and successful annually organized competitions aimed at supporting development of entrepreneurship, innovations and internationalization.

Latvia

- Atspēriens („Take Off“)\(^{105}\)

Riga Municipality provides financial support for small and medium sized businesses by organization of the grant program “Take off”. The main aim of which is to motivate Latvian residents to return back to Riga as well as to achieve higher level of EU standards of living.

The grant program Take off is organized by the Riga City Council and Swedbank Latvia with the aim to encourage business activity and support the implementation of new business ideas. The size of grants available under the program is up to LVL 8,000 that can be used to cover the initial costs of setting up a business.

Also this year the grant program “Take-off” offers not only financial support to the winners, but also will provide free seminars on relevant topics in business to anyone who is interested.

Since 2009, the Riga City Council’s and Swedbank grant program “Take-Off” has supported 77 business ideas, giving a total financing of LVL 364 355.59 (approx. 520 500,00 EUR). Throughout these years, more than 700 ideas have been submitted

- Ideju Kauss („Idea Cup“)\(^{106}\)

Idea Cup is a business idea competition, which enables Latvian residents to realize their business ideas and start a business and to acquire the necessary skills, experience, contacts and funding. The competition aims to promote the creation of new businesses and promote Latvian economic recovery and growth.

‘Idea Cup’ in Latvia has taking place for the sixth consecutive year. In 2011 485 ideas were submitted, of which 189 best were selected on the basis of the submitted business plan. Within the framework of the project 6 training courses have taken place, additionally, a series of informative and a wide range of public events have been organized.

- Brigāde ("Brigade")\(^{107}\)

The Latvian Centre for Contemporary Art in collaboration with the Soros Foundation – Latvia presents the program “Brigade” to support creative, sustainable entrepreneurship, based in art and culture, which deals with social

\(^{105}\) [http://www.investeriga.lv/enp/our-services/]
\(^{106}\) [http://www.idejukauss.lv/node/16]
\(^{107}\) [http://www.brigade.lv/en/about-brigade/]
issues and contributes in raising the quality of life of local communities.

As part of the program, several educational and admission free events such as discussions and lectures by known experts will take place in November and December, 2012. Next year in January anyone may submit an application and participate in the competition; thus, in the spring of 2013 up to 15 creative entrepreneurs-winners of the competition will receive up to 5000 LVL to start and develop their businesses.

**Estonia**

- **Garage 48**

Garage48 event series started in Estonia in April 2010 and have expanded to other countries in Northern Europe and Africa since then. All Garage48 events are held in English and have ~100 international participants. Participants have different skills, ranging from software development to design, marketing, sales and entrepreneurship.

Garage48 events usually start at 5pm on a Friday evening. All participants gather together in a big room and pitch about 30 to 40 ideas on stage. Each idea is put on the wall and everyone can choose their favorite idea and team. Usually about 12-15 ideas will be selected and teams start working.

Goals of the program:

- Organize useful, international and fun startup events with a really lean budget
- Show that teams can turn an idea into a working service or prototype within just 48 hours
- Prove that new web and mobile projects can be started with a good team and lean budget
- Promote entrepreneurship and startup culture in Estonia, Northern Europe and Africa
- Teach people to work under a tough deadline - you need to focus on the core of the project

**“Export Revolution”**

In February 2011, Enterprise Estonia launched a program entitled “Export Revolution”. This is the largest export recruitment and training program in Estonia. Its goal is to seek and train young export sales managers who possess international breakthrough capacity for Estonian medium-sized enterprises. This addresses one of the most urgent problems of companies that are seeking to move into global markets: government, employers and experts all consider that the strong demand for export managers with professional training is just as important. The program is conducted by the Marketing Institute and the Swedish company ITM Worldwide, which have extensive experience in the training of export managers.

The program attracted massive interest both from candidates and companies. There were about 20 applicants for sales manager posts and almost three

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108 [http://www.garage48.org/about](http://www.garage48.org/about)
company candidates for each place. The results for the first year were outstanding. Only two of the 26 candidates did not finish the program. All candidates had set high export turnover goals for the first year, and 80% achieved or even exceeded them. The companies were satisfied with the program (e.g. with export planning, useful contacts, etc.) and more than half would like to participate again.

In January 2012, Enterprise Estonia announced a follow-up to the program that had started as a pilot project. There were also a large number of applications for the second one-year program “Export Revolution 2”. These programs will train the next generation of export sales managers for Estonia’s global SMEs.

**Sweden**

- **VINN NU**[^110]

VINN NU is a competition for new companies that base their operations on R&D results. The aim of VINN NU is to make it easier for new R&D-based companies to prepare and clarify commercially-interesting development projects at an early stage so that they can progress, find subsequent funding and, in the long term, become successful Swedish companies.

The fields covered are the development of working life, biotechnology including biomedical engineering and foods, energy technology, information and communications technology, materials, product realization, process engineering, services and IT utilization and transport.

VINN NU was started in 2002 together with NUTEK and the competition has been held every year since then. In 2005, VINNOVA was the sole funder of the competition, while from and including 2006 the program is run together with the Swedish Energy Agency.

Every year, 20 winners are announced and each of these receive SEK 300 000.

### 6 Current situation analysis about available instruments conditions of their adaption for support of entrepreneurship of SMEs in main competitive countries – Lithuania, Poland, Germany, Denmark and Norway

#### 6.1 Founding the company

**Lithuania**[^111]

Private legal entities that may be registered in the Register and their legal regulation[^112]:

- individual enterprise (sole proprietorship) (IĮ);
- private limited liability company (UAB);
- public limited liability company (AB);


• general partnership (TUB);
• limited partnership (KUB);
• state enterprise;
• municipal enterprise;
• agricultural company;
• co-operative enterprise;
• European company;
• European cooperative society;
• European Economic Interest Grouping.

The State Enterprise Centre of Registers is the Register management establishment (Manager of the Register) that ensures the implementation of Register management functions in registering the legal entities.

After registering a legal entity, branch or representative office, the Manager of the Register shall issue an extract from the Register of Legal Entities.

Registration/deregistration of taxpayers from the Register of Taxpayers is regulated by the Rules of the Register of Taxpayers.

Regulation of the registration/deregistration of the payers of social security contributions - policyholders - is defined in the rules of the budget formation and implementation of the Republic of Lithuania State Social Insurance Fund.

Poland

All legal forms of Polish companies are listed in The Commercial Companies Code. The main forms are:

• partnerships: general partnership, professional partnership, limited partnership and limited joint-stock partnership;

  General partnership: a partnership carrying on a business under its own name, which is not another commercial company. Each partner is liable for the company’s liabilities with all their assets, jointly and severally, together with other partners and the company. Where enforcement against the company’s assets is ineffective, a creditor may execute enforcement against a partner’s property.

  Professional partnership: a partnership formed by partners in order to practice a liberal profession as a company conducting business under its own name. A partner is not liable for the company’s liabilities that arise from the practicing of a liberal profession by other partners in this company.

  Limited partnership: a partnership formed for the purpose of running a business under its own name. At least one of the partners is fully liable for the company’s liabilities to creditors (general partner), and the liability of at least one partner is limited (limited partner).

  Limited joint-stock partnership: a partnership formed for the purpose of

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running a business under its own name. At least one of the partners is fully liable for the company's liabilities to creditors (general partner), and at least one partner is a shareholder. It should have share capital of at least PLN 50 000.

- limited companies: limited liability company and joint-stock company.

**Limited liability company**: a limited company formed by one or more people for any legally permissible purpose. The partners are not liable for the liabilities of the company. It should have share capital of at least PLN 5 000.

**Joint-stock company**: a limited company whose shareholders are not liable for the liabilities of the company; the company itself is liable with all its assets. It should have share capital of at least PLN 100 000.

Businesses starting up as commercial companies and partnerships can start to operate after they are added to the register of entrepreneurs in the National Court Register (KRS).

Limited companies can start to operate even before they are added to the register of entrepreneurs as limited companies in the process of formation.

When the requirements of the application form for entry into the Register are not met or the court fee is not paid, the application is returned. It can be re-submitted within 7 days from the date of the notification of return.

The procedure of registration with the Business Register is carried out by the commune responsible for the business domicile.

In addition, in order to start a business in Poland, the following must be obtained:

- a REGON statistical number; it is possible to register on-line if a business has an electronic signature;
- a NIP tax identification number for Polish taxpayers, which is required for registration with the appropriate tax office;
- registration with the Social Insurance Institution (ZUS); it is now also possible to register on-line.

Some of these stages can be completed in a service point for businesses. A registering body has a duty to send applications to the appropriate bodies together with the confirmation of registration and other documents provided by a business within 3 days.

The following documents are necessary in order to register:

- e-declaration system;
- taxpayer data submission form.

**Germany**

There are two main laws governing trade and commerce in Germany: the Commercial Code (HGB) deals with a trader's own liability and business development, while the Civil Code (BGB) is for small business owners.

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Special conditions for ‘trades requiring a permit’ are listed under the Handicrafts Act.

There are many possible business structures, depending on whether one or many persons start up business:

- sole trader (e.g. business person or professional);
- registered trader (e.K.);
- limited liability company (GmbH);
- trading concern (with limited liability);
- civil law partnership (GbR);
- private limited partnership (KG);
- stock corporation (AG);
- general partnership (OGH), etc.

Hybrid structures may also exist (e.g. GmbH & Co. KG). Depending on the legal structure involved, the liability is covered either by the capital contributed or by the total assets.

For some trades and liberal professions, special certificates and qualifications are required in order to obtain a permit or license to operate. Trades requiring a permit include: bookkeeping; security; hotels and restaurants; employment agencies; real estate agents; financial services; travel.

An entry in the Commercial Register is mandatory for larger companies, depending on:

- the level of turnover;
- the number of staff and their qualifications;
- the range of services provided;
- its business connections.

However, it is also possible to register voluntarily in the Commercial Register.

Many offices require a report to be filed in person. In larger towns, offices offer rapid business registration. Forms may be found on municipality's website.

Help with forms can be received via the Economics Ministry's business start-up software package (Softwarepaket für Gründer und junge Unternehmer).

**Denmark**

A wide variety of businesses can be set up in Denmark:

- sole trader;
- partnership with personal liability of partners;
- commercial fund;
- private limited liability company (Anpartsselskab);

• public limited liability company (Aktieselskab);
• cooperative society (Anæselskab);
• company with limited liability (SMBA);
• limited partnership (Kommanditselskab);
• partnership.

The following laws apply to setting up a company in Denmark:

• Public Companies Act;
• Private Companies Act;
• Act on Certain Commercial Undertakings;
• Act on Commercial Foundations.

To start a business, person need to register directly via the Internet portal WebReg.dk, or contact the Danish Commerce and Companies Agency, which will send a registration form.

All commercial funds must be registered with the Danish Commerce and Companies Agency. The initial capital must be at least DKK 300 000 (40 210 EUR) that can be considered as a serious obstacle.

Companies must be registered with the Danish Commerce and Companies Agency in Danish. If the company is registered in another language, person must attach an authorized translation. Exceptions may be allowed in special cases for the registration of subsidiaries of foreign companies. A full list of the registration requirements can be found in the Executive Order on Notification, Registration, Fees and Publication, etc. at the Danish Commerce and Companies Agency.

When person starts his/her business, it will be registered for VAT. VAT can be calculated once a month, every quarter or every six months, depending on the type of business. VAT declarations are made to the Danish Tax and Customs Administration (SKAT) or on Virk.dk. Amount of payable tax depends on both person's own personal tax status and the type of business.

Some business activities require special permits. Some types of business require authorization, others require a license and others require special approval. This may be either to regulate the number of players in the sector or to ensure that the work is carried out according to good professional practice.

Norway

When setting up a business in Norway, there are a number of laws you have to comply with. Some important Acts are:

• Central Coordinating Register Act;
• Business Enterprises Register Act;
• Tax Act;
• VAT Act;

• National Insurance Act.

In Norway as in other countries there are various legal structures:

• sole trader;

A sole trader (ENK) is a business where the owner bears the full financial liability for the debts of the enterprise.

• partnership;

A partnership (ANS or DA) is an enterprise with one or more shareholders (owners) who each assume personal liability for the debts of the business.

• limited company;

A limited company (AS) differs from the first two legal structures in that the owner(s) do not bear personal liability for the company's commitments. The owner(s) must put up share capital of at least NOK100000. They can normally only lose their initial stake in the company.

• public limited company;

A public limited company (ASA) has much in common with an AS but, among other things, it has to have share capital of at least NOK1million.

• Norwegian branch of a foreign company;

A Norwegian branch of a foreign company (NUF): Here, the foreign company is liable for the business of the Norwegian branch. The branch will normally be liable for tax and other deductions in Norway, and must otherwise comply with Norwegian regulations just like any other Norwegian company. There are no capital requirements for an NUF.

• cooperative;

A cooperative (SA) is an independent grouping which must have at least two owners, none of whom bear any personal liability for the commitments of the enterprise. This legal structure is user-owned and managed.

• foundation.

A foundation is formed when an asset is independently provided by way of a will, bequest or other legal arrangement for a specific purpose of a non-profit, humanitarian, social, educational, economic or other nature. Commercial foundations must have minimum paid-up capital of NOK200000.

The authorities must be notified when an enterprise is formally established; when employees are taken on and when sales of taxable goods or services begin. Once at least one of these situations arises, the enterprise must be entered in the Central Coordinating Register for Legal Entities at the Brønnøysund Register Centre.

The Business Enterprises Register Act lists a number of legal structures that have to be entered into the Register of Business Enterprises.

Broadly speaking, this obligation applies to businesses where liability is limited (such as limited companies - AS) and to any person who engages in an economic activity, apart from some sole traders. Sole traders only have to be entered in the
Central Coordinating Register for Legal Entities if they buy and sell goods or have more than five employees. Other sole traders are free to register voluntarily.

Most legal structures can be registered electronically via Altinn.

Owners of one-person businesses (sole traders) and members of a partnership must pay advance tax for each period once there is any income. Payment forms are sent out four times a year.

The amount payable is based on an estimate of how much income there will be. The Tax Office must be informed of the expected profit in the first year.

Limited companies and other establishments pay tax in the year after the income year. The business itself must contact the tax office to notify it of the start-up.

If the enterprise has any employees, the employer must deduct tax and employer’s contributions from each employee’s salary. This is reported and paid by way of periodic declarations to the Tax Collector.

If there are any VAT liable sales, the enterprise must be registered in the VAT Register at the Tax Office. This must take place when the sales by the enterprise of VAT liable goods and services together exceed NOK 50 000 over a 12-month period.

Information about legal forms of business activity, amount of share capital and taxes in target countries – Lithuania, Poland, Germany, Denmark and Norway is provided in Table 6.1.

<table>
<thead>
<tr>
<th>Country</th>
<th>Legal forms of business activity</th>
<th>Amount of share capital</th>
<th>Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithuania</td>
<td>• individual enterprise (sole proprietorship)</td>
<td>• -</td>
<td>• VAT: 21% (or 9%; 5%)</td>
</tr>
<tr>
<td></td>
<td>• private limited liability company</td>
<td>• 2 900 EUR</td>
<td>• Payroll (social) tax: 39,98%</td>
</tr>
<tr>
<td></td>
<td>• public limited liability company</td>
<td>• 43 445 EUR</td>
<td>• Corporate income tax: 15%</td>
</tr>
<tr>
<td></td>
<td>• general partnership</td>
<td>• -</td>
<td>• Personal income tax: 15%</td>
</tr>
<tr>
<td></td>
<td>• limited partnership</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• state enterprise</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• municipal enterprise</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• agricultural company</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• co-operative enterprise</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• European company</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• European cooperative society</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• European Economic Interest Grouping</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>• limited liability company</td>
<td>• 1 202 EUR</td>
<td>• VAT: 23% (or 8%; 5%)</td>
</tr>
<tr>
<td></td>
<td>• joint-stock company</td>
<td>• 24 046 EUR</td>
<td>• Payroll (social) tax: 41,11%</td>
</tr>
<tr>
<td></td>
<td>• general partnership</td>
<td>• -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• professional partnership</td>
<td>• -</td>
<td></td>
</tr>
</tbody>
</table>
Table 6.1. Forms of business, amount of share capital, tax rates in main competitive countries

6.2 Starting up the company

Main providers of the support for entrepreneurs in phase of starting up the company are business incubators taking into account that business incubators are a combination of infrastructure and personnel aimed at aiding new and small businesses to develop through supporting them in their early stage of development with infrastructural, day-to-day consultations and services concerning business development fundamentals.
Estimates suggest that as many as 3000 business incubators operate worldwide. Types and number of operating business incubators in competitive countries – Lithuania, Poland, Germany, Denmark and Norway – is shown in Table 6.2.

<table>
<thead>
<tr>
<th>SCIENCE AND TECHNOLOGY PARKS</th>
<th>Lithuania</th>
<th>Poland</th>
<th>Germany</th>
<th>Denmark</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>31</td>
<td>41</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>TECHNOLOGY BUSINESS INCUBATORS</td>
<td>1</td>
<td>9</td>
<td>141</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>BUSINESS INCUBATORS (BI)</td>
<td>5</td>
<td>38</td>
<td>126</td>
<td>11</td>
<td>19</td>
</tr>
<tr>
<td>TOGETHER</td>
<td>16</td>
<td>78</td>
<td>308</td>
<td>17</td>
<td>35</td>
</tr>
</tbody>
</table>

Table 6.2. Business incubators in Lithuania, Poland, Germany, Denmark and Norway

**Lithuania**

Lithuania easily beats the EU average in terms of the time and cost elements in transferring a property: three days instead of 36, and 0.8% of its value instead of 4.69%. On the other hand, it lags behind in terms of the availability of online public services, the time needed to start a business, and the minimum capital required to do so (action has now been taken on this latter point, but its effects are not yet reflected in the data).

The remaining indicators, measuring the cost of starting a business and the administrative burden of taxation, are close to the EU average. Taking all indicators into account, Lithuania's performance is somewhat mixed and does not give a clear picture.

In 2011 Lithuania was particularly active, policy wise, in the area of Responsive administration. The Business Environment Improvement Action Plan for 2011 was introduced to reduce the time needed to set up a business and to accelerate the start of SMEs’ commercial operations by reducing and simplifying the procedures for obtaining licences and permits. For instance, the list of activities for which the acquisition of business licenses is required was reduced, and a number of procedures related to starting a business were removed, such as getting the documents of incorporation of a private limited liability company approved by a notary (if the company is registered and incorporated online) or the transmission of information about the company’s activity to the Labour Inspectorate. The Business Environment Improvement Action Plan for 2011 also features measures designed to speed up the issue of construction permits, simplify the payment of taxes, and make it easier to export and import.

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118 http://www.spica-directory.net/centers/?c=34
119 http://www.spica-directory.net/centers/?c=44
120 http://www.spica-directory.net/centers/?c=21
121 http://www.spica-directory.net/centers/?c=14
122 http://www.spica-directory.net/centers/?c=41
123 EC. SBA Fact Sheet 2012. Lithuania
**Poland**

Polish administration’s scores are rather poor, showing a real need to further simplify business registration. The process of starting a new business is more time-consuming, and three times more costly than the EU average. On the other hand, the costs of enforcing contracts and property transfer are much lower, but take much more time than elsewhere in the EU. Dealing with tax also takes considerably longer in Poland.

Looking at new policy initiatives undertaken in 2011 or the first three months of 2012, two important measures were adopted by the Polish government to ease and speed up the set-up and registration of businesses in Poland. In July 2011, an on-line business registration service was started for entrepreneurs (natural persons who decide to establish a one-person business or a business partnership). A new central registry, the Central Registration and Information on Business (CEIDG), has been created, replacing previous registries of natural persons’ businesses run by 2479 local self-government administrations in ‘gmina’ (the smallest administration units in Poland). An entrepreneur can now register their economic activity in person at gmina offices or by sending a completed questionnaire by mail. Online registration is user friendly, free of charge and can be completed within one day, allowing to start a business activity the same day registration was made. Also, entrepreneurs can introduce changes into their records online in CEIDG, submit decisions to suspend their business, renew it, or close it. During the online registration, an entrepreneur can also decide on a form of income taxation and (from 1 January 2012) can also submit the VAT registration form.

The second measure was the creation of the legal opportunity and technical opportunity (e-registration facility) to simplify and speed up setting up a business in the form of a limited liability partnership (LLP). Since 1 January 2012, if an entrepreneur decides to use a standard contract to set up a LLP and chooses online registration, and if there are no formal obstacles (an e-application, like a regular one, is reviewed by the National Registry Court) the registration can be completed within 24 hours (except at weekends). Online registration of a standard LLP is also cheaper for an entrepreneur. Using a standard contract provided by the Ministry of Justice decreases registration costs since a notary’s services are not required, while they are obligatory for other forms of registration of an LLP.

**Germany**

Germany’s performance in Responsive administration has been improving over recent years and is now above the EU average. There are still areas where Germany trails the EU average — notably the time and cost involved in transferring property — but they are not far off the EU average. The results in these areas are more than compensated by Germany’s performance in those indicators where it is ahead of the EU average. Most notably these include the relatively low level of minimum paid-in capital required to start a business, the cost of enforcing contracts and the complete online availability of all the basic public services. Overall, there seems to be more potential for improvement on the

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124 EC. SBA Fact Sheet 2012. Poland
125 EC. SBA Fact Sheet 2012. Germany
indicators measuring the time it takes to get administrative procedures done rather than on the costs.

Policy wise, in 2011 the Federal Government simplified electronic invoicing (companies can get sales tax deductions for their invoices from the tax authorities without having to use qualified electronic signatures for invoicing).

**Denmark**

In Denmark start-up conditions, measured by the time and cost to open a business, are already among the best in Europe. Other indicators important for day-to-day business operations, such as the number of and time spent on tax payments, and the time and cost involved in transferring property, score better than or are on par with the EU average. Similarly, the indicator measuring the online availability of eight basic public services to businesses (such as social contributions, corporate tax, VAT, registration of a new company, submission of data to the statistical office, customs declaration, environment-related permits and public procurement) is 100%, while the EU average is 89%.

In 2011 no significant policy initiatives were reported, but Denmark is clearly capitalizing on substantial policy efforts made in previous years, which have improved the level of information and ease of communication with the administration.

**Norway**

Once again, Norway’s scores are well above the EU average for all indicators except the requirements regarding the minimum paid-in capital (19 % of income per capita compared to 16 % for the EU). It is quite remarkable that the start-up time for a new business in Norway is half the EU average. Starting a business in Norway is also much cheaper. The same applies to the number of tax payments – only four compared to EU average of 15 – and the time needed to comply with these requirements (87 as compared to 206 hours). Norway is also a role model in that it offers all basic public services online, compared to the average of 89 % for the EU.

As far as policy is concerned, following the completion of the programme "First line for the development of businesses in municipalities (FUNK)" in 2010, the district offices of Innovation Norway have supported training for municipal employees and office days where both the municipality and Innovation Norway meet local entrepreneurs. The aim is to strengthen local industry in order to raise awareness among local political actors about further business development efforts.

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126 EC. SBA Fact Sheet 2012. Denmark
127 EC. SBA Fact Sheet 2012. Norway
<table>
<thead>
<tr>
<th></th>
<th>LT</th>
<th>PL</th>
<th>DE</th>
<th>DN</th>
<th>NO</th>
<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to start a business (in calendar days), 2012</td>
<td>22</td>
<td>32</td>
<td>15</td>
<td>6</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Cost to start a business (% of income per capita), 2012</td>
<td>2.8</td>
<td>17.7</td>
<td>4.6</td>
<td>0</td>
<td>1.8</td>
<td>4.98</td>
</tr>
<tr>
<td>Paid in minimum capital (% of income per capita), 2012</td>
<td>36</td>
<td>14</td>
<td>0</td>
<td>25</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Time required to transfer property (in calendar days), 2012</td>
<td>3</td>
<td>152</td>
<td>40</td>
<td>16</td>
<td>3</td>
<td>36</td>
</tr>
<tr>
<td>Cost required to transfer property (% of property value), 2012</td>
<td>0.8</td>
<td>0.4</td>
<td>5.2</td>
<td>0.6</td>
<td>2.5</td>
<td>4.69</td>
</tr>
<tr>
<td>Number of tax payments per year; 2012</td>
<td>11</td>
<td>29</td>
<td>12</td>
<td>10</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Time required to comply with major taxes (hours per year), 2012</td>
<td>175</td>
<td>296</td>
<td>221</td>
<td>135</td>
<td>87</td>
<td>206</td>
</tr>
<tr>
<td>Cost to enforce contracts (% of claim), 2012</td>
<td>23.6</td>
<td>12</td>
<td>14.4</td>
<td>23.3</td>
<td>9.9</td>
<td>20.6</td>
</tr>
<tr>
<td>Full online availability of basic public services to businesses, 2010</td>
<td>75</td>
<td>88</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>89</td>
</tr>
</tbody>
</table>

Table 6.3. Factors affecting starting up the business in Lithuania, Poland, Germany, Denmark and Norway

Source: EC. SBA Fact Sheets 2012 of Lithuania; Poland; Germany; Denmark and Norway

6.3 Running a business

In this section, the environment for conducting entrepreneurship in Denmark, Germany, Lithuania, Norway and Poland is examined. The indicators/criteria for the examination have been selected as follows:

- new product development;
- patents;
- product introduction;
- entering foreign markets.

Lithuania

New product development

In Lithuania, innovation policy is set by the Ministry of Economy, while scientific research and experimental development policy is determined by the Ministry of Education and Science together with the Ministry of Economy.

Innovation, its development and promotion is an essential direction of the Lithuanian economy, a guarantee for competitiveness and welfare growth of the country. The priorities of the Lithuanian innovation policy have been clearly defined in the Lithuanian Innovation Strategy for the year 2010–2020 approved

in 2010. The main objective of this strategy is to build a creative society and create the conditions for the development of entrepreneurship and innovation. Objectives and goals of innovation development following to the strategy are as follows:

- to accelerate Lithuania’s integration into the global market ("Lithuania without borders");
- to educate a creative and innovative society;
- to develop broad-based innovation;
- to implement a systematic approach to innovation.

It is an umbrella strategy encompassing all innovation-related fields. The Strategy also distinguishes four areas potentially generating highest value added: clean-tech, future energy, creative industries, wellbeing and wellness.

Additionally, innovation is supported as follows:

- The Law on Corporate Income Tax provides incentives for businesses to invest in renewing of equipment and machinery. Businesses are allowed, when calculating taxable profit, to deduct from income three times the costs of scientific research and experimental development incurred by them. It also allows writing off as costs fixed assets used in the activities of scientific research and experimental development after a shorter period of time.
- Businesses investing in a substantial technological update can reduce the amount of corporate income tax calculated for a tax period by up to 50% of the amount of corporate income tax.

In Lithuania the proportion of enterprises with innovation activity was 34.5%; it was a country where the number of enterprises which reported innovation activity between 2008 and 2010, were one of the lowest and significantly lower than EU27 average (52.9%)130.

Research131

The Parliament is the main institution in shaping the policy of scientific research and experimental development (SR&ED). Legal acts on SR&ED policy adopted by the Parliament are followed by all bodies implementing that policy.

The Ministry of Education and Science with the participation of the Ministry of Economics implements national SR&ED policy; the Ministry of Education and Science coordinates the activities of state science and education institutions. The Ministry of Economics is responsible for innovations and for commercialization of the results of scientific research.

The Research Council of Lithuania acts as a counsellor of the Parliament and the Government on SR&ED and researchers training related matters, organizes assessment of scientific activities carried out in Lithuania.

The following are the main legal acts regulating the implementation of SR&ED policy:

- Law on Higher Education and Research;
- Long-Term Strategy of Scientific Research and Experimental Development.

There are currently five integrated science, study and business centres that have been approved by the Government:

- valley for the development of the marine sector of Lithuania;
- Nemunas;
- Santaka;
- Santara;
- Saulėtekis.

The laboratories opened as a result of the implementation of valley projects or re-equipped existing laboratories of academic and research institutes will operate on an open access basis, i.e. their infrastructure committed to scientific research and experimental development will be available not only to staff of academic and research institutions, students or trainees, but also to other interested parties from other institutions or business entities, in accordance with procedures defined in.

**Patent**

The following are the main legal acts regulating the protection of intellectual property:

- Patent Law;
- Law on Designs;
- Law on Trade Marks;
- Law on Copyright and Related Rights;
- Law on the Legal Protection of Topographies of Semiconductor Products;
- Law on Fees for the Registration of Industrial Property Objects;
- Intellectual property rights.

There are three ways to obtain a patent in Lithuania:

- National path - by a direct application to the State Patent Bureau;
- Regional path;

Certain agreements provide the opportunity to register the patent in a group of countries which are signatories to the agreement. An applicant interested in acquiring the protection in these countries has the opportunity to submit one application in the Regional Intellectual Property Office. Regional Intellectual Property Offices for patents are:

- The Office of Harmonization for the Internal Market (OHIM) of the European Union;
- The Benelux Office for Intellectual Property (BOIP);
- African Intellectual Property Organization (OAPI);

- European Patent Office (EPO) etc.

- International path.

The World Intellectual Property Organization (WIPO) administers the treaties in the field of patents. Patent Cooperation Treaty (PCT) offers the possibility to file a patent application for the protection of invention in any single, several or all PCT member states. In order that the company could make use of the PCT system, it actually has to carry out industrial or commercial activities in one of these countries. The application may be submitted either to national or regional patent office and/or to the office of WIPO dealing with PCT applications.

Patent applications must be submitted through a patent trustee, registered in the State Patent Trustee Registry. Registration does not apply to the protection of copyright and related rights; copyright to literary, scientific and artistic works begins upon their creation.

**Product introduction**\(^{133}\)

Goods being sold in Lithuania must be labeled in accordance with the procedure provided in legal acts that is Regulations for the Labeling and Indication of Price of Items (Goods) Being Sold in the Republic of Lithuania.

In 2010 there were 518 enterprises that have introduced new or significantly improved products that were new to the market, which is only 0.64% of all registered enterprises in Lithuania; additionally, 597 enterprises engaged in market introduction of innovations (Table 6.4.).

**Entering foreign markets**\(^{134}\)

191 Lithuanian enterprises had affiliates abroad outside EU27 in 2010.

2556 Lithuanian enterprises in 2010 were selling goods and/or services in other EU, EFTA or EU-candidate countries of which only 632 enterprises were selling technological and non-technological innovation goods; 1924 were non-innovative enterprises. 1592 enterprises were selling goods and/or services in any other country than EU, EFTA or EU-candidate countries (Table 6.4.).

In 2011 internal EU27 trade constituted 12355 million EUR which is 61% of all exports; exports to countries outside EU27 were worth 7796 million EUR (39%).

**Poland**

**New product development**\(^{135}\)

Supporting investments with innovative technological solutions that are implemented by businesses using public funds is possible thanks to the Act on Some Forms of Support for Innovative Activity. The Act facilitates the implementation of new technologies by offering special technology bonuses as part of technology credits that are offered by commercial banks as well as tax relief of half the value of the acquired technology.

The overall balance of Poland’s innovation policy mix is characterized by very low

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\(^{134}\) Eurostat 2012

investment (in absolute and relative terms) in R&D and the predominance of public funding for R&D. Poland lags far behind other EU and OECD countries in terms of gross expenditure on R&D (GERD) in relation to GDP and also ranks unfavorably when compared with other countries that became members of the EU in 2004 along with Poland.

In Poland the proportion of enterprises with innovation activity was 28.1%; it was a country where the number of enterprises which reported innovation activity between 2008 and 2010, were one of the lowest and significantly lower than EU27 average (52.9%)\(^{136}\).

**Research\(^{137}\)**

Public research in Poland is split between higher education institutions (143), the Polish Academy of Sciences (76 entities) the development units (603 – business entities that within their economic activity are also carrying out R&D) and the 194 sectoral branch institutes, half of which are supervised by the Ministry of Economy with the remainder spread across other sectoral ministries (e.g. Ministry of Agriculture).

The universities are autonomous and obtain most of their R&D funding from block grants from the Ministry of Science and Higher Education.

As regards the branch institutes, although funding is allocated through the Ministry of Science and Higher Education, the majority of the institutes are under the supervision of other Ministries, notably the Ministry of Economy.

**Patent\(^{138}\)**

The Industrial Property Rights Act regulates matters related to the granting and protection of exclusive industrial property rights at national level.

The Polish Patent Office provides protection for:

- inventions and utility models;
- trademarks;
- industrial designs;
- geographical indications (excluding the protection of appellations of origin for agricultural and food products);
- topography of integrated circuits.

In Poland, patents are not granted for plant varieties, animal breeds, purely biological methods of cultivating plants and raising animals nor for methods of treating people and animals.

The Patent Office provides registration rights for geographical and origin indications (excluding the protection of appellation of origin of agricultural and food products, for which the Ministry of Agriculture is responsible).

For plant varieties, exclusive rights to a variety can be obtained by submitting the appropriate application form to the Research Centre for Cultivar Testing.

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Product introduction

The Freedom of Business Act lays down the obligations of companies that want to sell goods in Poland. The Act places a duty on retailers to place the following information on the goods packaging, labels, etc. in the Polish language:

- company name and address;
- product description.

The Compliance Assessment System Act removes technical barriers to trade and facilitates sales. According to Article 12 of the Act, a product with CE marking is considered compliant with the requirements set out in the regulations in force. The Act also regulates matters related to the system of control of goods placed on the market.

The Standardization Act sets out the objectives and guidelines for standardization.

The General Product Safety Directive and the Consumer Sales Directive place additional obligations on producers in respect of the information on products in the Polish language.

In 2010 there were 2888 enterprises that have introduced new or significantly improved products that were new to the market, which is only 0.2% of all registered enterprises in Poland; additionally, 2953 enterprises engaged in market introduction of innovations (Table 6.4.).

Entering foreign markets\textsuperscript{139}

17578 Polish enterprises in 2010 were selling goods and/or services in other EU, EFTA or EU-candidate countries of which only 3023 enterprises were selling technological and non-technological innovation goods; 14555 were non-innovative enterprises. 7866 enterprises were selling goods and/or services in any other country than EU, EFTA or EU-candidate countries (Table 6.4.).

In 2011 internal EU27 trade constituted 105695 million EUR which is 78% of all exports; exports to countries outside EU27 were worth 29862 million EUR (22%).

Germany

New product development\textsuperscript{140}

German innovation and technology policy aims to:

- increase the number of new technology-focused and knowledge-based companies/innovative businesses;
- bolster key industrial technologies (research in energy, transport, aviation, shipbuilding and space travel) and cross-sector spheres (IT, multimedia, etc.);
- strengthen links between industry and research (with regional hubs and thematic clusters);
- apply scientific knowledge in an economically efficient manner;
- improve the climate for investment and demand for new products and services (taxation, less red tape, innovative procurement, standards and

\textsuperscript{139} Eurostat 2012

\textsuperscript{140} \url{http://europa.eu/youreurope/business/competing-through-innovation/sharing-new-ideas/germany/index_en.htm}
norms, etc.).

The Federal Ministry of Economics and Technology [Bundesministerium für Wirtschaft und Technologie] supports innovation and technology projects, especially cooperation between businesses and research bodies, to bolster the transfer of technology from research to industry and increase the innovation competence of SMEs.

In the EU27, 53% of enterprises from industry and services reported innovation activity between 2008 and 2010. In Germany the proportion of enterprises with innovation activity was the highest in all EU27 countries - 79.3% of enterprises reported innovation activity between 2008 and 2010.\(^\text{141}\)

**Research**\(^\text{142}\)

The EU is aiming to invest 3% of GDP in research and development by 2020. With this in mind, the Federal Government is encouraging businesses to invest in research and innovation and is keen to improve the climate for research and innovation.

The Federal Government has brought all the research, technology and innovation activities together in the high-tech strategy for Germany.

The new high-tech strategy focuses the research and technology support programs on the major challenges of the future, such as: new requirements in terms of mobility, a climate-friendly energy supply, individuals' increased requirements in terms of health and safety, and new electronic forms of communication. To this end, future projects are defined, with which selected missions will be at the core of future research and innovation policy. They make clear to people the objectives that are to be achieved with research and development in the coming 10 to 15 years. At the same time, they set out innovation strategies and plans showing how we can achieve these objectives in manageable gradual steps. The objectives include 1 million electric vehicles by 2020.

As far as businesses are concerned, constant improvement of the general conditions is also important. This particularly concerns effective protection of intellectual property and cost-effective organization of the patent system. The Federal Government has been campaigning for several years for a low-cost EU patent that is valid in all the countries of the European Union. Other topics include tax measures, e.g. to support venture capital, the modernization of the state through increased procurement of innovative products and services or the promotion of standardization processes.

**Patent**\(^\text{143}\)

Intellectual property is protected by industrial property rights, which prevent any form of copying or imitation. These include:


• patents (protection of new technical inventions);
• utility models (protection of technical innovations, although this is purely a registration right as opposed to a patent);
• registered designs (protection of designs, patterns and models);
• trade marks (e.g. trade marks made up of words or images).

Copyright protection comes into force when a work is created; official registration is not necessary. The Copyright Act applies to works of literature, art and science.

The Employee Inventions Act sets out how employee inventions and proposals for technical improvement should be dealt with.

The central body dealing with industrial property rights is the German Patent and Trade Mark Office (DPMA).

The German Patent and Trade Mark Office is the central body for filing patents, utility patents, design patents and trademarks. Whether or not industrial property rights apply, and if so, which ones, depends on the rules governing the relevant rights and how the applicant intends to protect these. All industrial property rights can be registered online via DPMAdirekt.

A utility model offers protection for items such as technical innovations. Unlike a normal patent, however, it is purely a registration right, i.e. the utility model is entered in the record of utility models after registration (without prior verification of all substantive requirements for protection by the German Patent and Trademark Office). As a result, utility models are also approved considerably faster than a normal patent, but offer similar rights.

**Product introduction**

The Federal Office of Economics and Export Control (BAFA) issues import authorizations and control documents in respect of certain goods from non-EU countries which are subject to an obligation of approval or control under EU regulations, as well as export or shipment authorizations for specific deliveries of goods in EU and non-EU States. In addition, further trade restrictions – including in the form of export and import prohibitions – may arise from EU or UN embargo measures.

The legal basis for the trade in goods is formed by the Foreign Trade Act and the Foreign Trade Regulation.

Germany also has a Packaging Regulation under which manufacturers and vendors are required to recover packaging and dispose of it in an environmentally responsible manner (dual system – ‘Grüner Punkt’ or Green Dot).

Under the principle of mutual recognition, EU Member States are required to allow products on their markets which are legally marketed in another Member State – even if they have not been harmonized by an EU measure. The application of this principle can be challenged only where, for instance, public safety, health or environmental protection appears to be jeopardized.

Applications for import permits, prior approval/control documents for articles.

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from third countries can, under certain conditions, be made electronically to the Federal Office of Economics and Export Control (BAFA). An electronic application is also possible under certain circumstances for iron and steel products.

Export permits must also be obtained for certain goods. In this case, an application must be filed with the BAFA. ELAN application forms may be used electronically free of charge.

22273 enterprises have introduced new or significantly improved products that were new to the market in 2010.

**Entering foreign markets**\(^{145}\)

In 2010 there were 12074 foreign affiliates abroad controlled by residents of Germany (outside the EU27 countries); 40922 enterprises in 2010 were selling goods and/or services in other EU, EFTA or EU-candidate countries of which 33153 enterprises were selling technological and non-technological innovation goods.

In 2011 internal EU27 trade constituted 627745 million EUR which is 59% of all exports; exports to countries outside EU27 were worth 430836 million EUR (44%).

**Denmark**

**New product development**\(^{146}\)

The Technology and Innovation Act reinforces technology development and boosts innovation in the business community. It promotes the sharing of knowledge, ensures cooperation between research institutions and businesses, commercializes business innovation and know-how.

The Act also forms the basis for the work of the Danish Council for Technology and Innovation, including the council’s relations with, among others, Approved Technological Service Institutes (GTS) and Innovation Environments. The council may use a variety of co-financing instruments to achieve the goals stated in the Act.

The Danish Council for Technology and Innovation is a council under the jurisdiction of the Ministry of Science, Technology and Innovation. The Council has two main functions:

- advising the Minister for Science concerning innovation policy;
- administering the resources and schemes transferred to the Council from the Minister for Science.

The Danish Council for Technology and Innovation supports the development of new science and technology through collaboration on research, development and innovation between companies and scientific institutions.

The Council therefore has six tools for use in supporting innovation in Denmark:

- Innovation projects: National and international research and innovation


projects run in collaboration between scientific institutions, companies and other players.

- The Approved Technological Service Institutes: Scientific institutions including science for businesses, etc.
- Innovation networks: Networks between scientific institutions, companies and public-sector parties.
- Highly-educated people in business: The Business PhD scheme and science pilot schemes to promote the employment of highly-educated people in business.
- Innovation Environments: Injects capital into new, science-intensive and high-tech companies.
- Commercial application of public-sector research: Support for developing inventions at public research institutions.

In the EU27, 53% of enterprises from industry and services reported innovation activity between 2008 and 2010. In Denmark the proportion of enterprises with innovation activity was little above EU27 average - 54.7% of enterprises reported innovation activity between 2008 and 2010.\(^{147}\)

**Research**\(^{148}\)

Enhanced interaction between businesses and knowledge institutions is one of the key elements in the work of the Danish Agency for Science, Technology and Innovation. One of the agency’s most important tasks is to use a number of public schemes to support collaboration between research institutions and private businesses.

Approved technological institutions spread knowledge into business community. There are nine GTS-institutes in Denmark. Their objective is to spread the most recent knowledge and state-of-the-art technology to the business community and thus further the competitiveness of the companies. Companies can buy services from the GTS-institutes or participate in collaboration projects that are co-funded.

In 2011, the public research institutions in Denmark received 365 invention disclosures. This is an 11% increase compared to 2010.

**Patent**\(^{149}\)

Protection of intellectual property rights in Denmark is regulated by the following legislation: Design Act, Patents Act, Trademarks Act, Utility Models Act, Collective Marks Act, Copyright Act, Intellectual property rights.

According to the Danish Copyright Act, anyone who produces a literary or artistic work has copyright on that work. The copyright holder has the sole right to control the work by producing copies of it and making it available to the public. Copyright on a work, e.g. music, literature, film, pictures, etc. lasts for 70 years after the copyright holder’s death.


Other groups of people with rights also enjoy protection under the Danish Copyright Act: performing artists, e.g. actors, singers, musicians, etc., record and film producers, radio and TV broadcasters, photographers and catalogues and databases. For related rights, copyright lasts for 50 years after it is set, e.g. the recording or broadcast is made. For catalogues and databases, however, the protection only lasts until 15 years have passed from the end of the year in which the work was first made available to the public.

The copyright originates when the work is created and the legal protection comes into force without any formal requirements having to be met. There is therefore no public register in which copyright is registered.

Applications for Danish patents, utility models, trademarks, collective marks and designs should be submitted to the Danish Patent and Trademark Office (DKPTO).

In total, the institutions filed 1771 patent applications in 2010.

**Product introduction**

A number of trade laws are in force in Denmark:

- Marketing Act;
- Act on Opening Hours / Closures Act.

1112 enterprises have introduced new or significantly improved products that were new to the market in 2010; they constitute 0.53% of all enterprises.

**Entering foreign markets**

In 2011 internal EU27 trade constituted 52430 million EUR which is 65% of all exports; exports to countries outside EU27 were worth 27928 million EUR (44%).

**Norway**

**New product development**

The Ministry of Trade and Industry coordinates Norwegian government policy for dealing with innovation in the Norwegian economy.

The main parts of the innovation policy are:

- Better conditions for SME’s

  The Government will establish better conditions for small and medium-sized enterprises. We want more women, young people and elderly people to have opportunities to contribute to innovation at their workplaces and to start their own enterprises.

- Strengthening education and research

  The quality of the education system must be strengthened in order to ensure access to manpower with sound and relevant competency. Private research investments must be strengthened in order to safeguard long-term knowledge development in industry. At the same time, the Government will increase

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151 http://www.regjeringen.no/en/dep/nhd/selected-topics/innovation.html?id=526417
research investments in the public sector, and make it easier for commercializing good business ideas.

- A more innovative public sector.

The public sector is facing major challenges, which cannot be solved merely by increasing resources and personnel. It is also necessary to innovate new solutions and to organize work in a smarter way. This applies not least to the healthcare sector. People must be able to trust solutions from the public sector. The quality of services shall not be dependent on the individual user’s financial situation. A sound, efficient and innovative public administration is also a valuable element to ensure stable and predictable conditions for industry

Some relevant Acts and Regulations are:

- Patents Act;
- Employee Inventions Act;
- Design Act;
- Regulation on preliminary studies;
- Technology and innovation.

The Norwegian Industrial Property Office plays a key role in protecting inventions. At an early stage, the offer of a preliminary study by the Norwegian Industrial Property Office could be useful.

Non-technological innovation may involve organizational changes in an enterprise. Innovation Norway runs a number of programs related to the development of new ideas in different industries by way of various initiatives.

In Norway the proportion of enterprises with innovation activity was 43.5%; this means that 43.5% of enterprises reported innovation activity between 2008 and 2010.\(^{153}\)

Research\(^{154}\)

Research is crucial if Norway is to be a knowledge-based and innovative society. Its culture, economy and prosperity are dependent on the development and use of research.

A key player in the research field is the Research Council for Norway which provides advice and funding for Norwegian research work. Norway is a member of the EU 7th Framework Program for research and technological development.

Relevant Acts related to research work include Research Ethics Act, Tax Act, and Patents Act.

The Research Council for Norway is the authority in Norway that provides advice on research policy, funds research projects and creates forums. The Research Council finances networking and skill development between businesses, knowledge organizations and the public sector, with the aim of increased innovation.

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The Norwegian Association of Higher Education Institutions (UHR) is a coordinating body for institutions covered by the Higher Education Act. The Council has its own research committee which acts as an advisory and coordinating body for the Norwegian Association of Higher Education Institutions in matters concerning research policy and training.

**Patent**

The protection of intellectual property is governed by the following Acts:

- Patents Act;
- Trade Marks Act;
- Designs Act;
- Copyright Act;
- Intellectual property rights.

A patent gives exclusive rights to exploit an invention commercially for a limited period (up to 20 years). During this period, others can be prevented from producing, importing or selling the invention that is patented.

The Norwegian Industrial Property Office is a national body that helps Norwegian businesses to enhance their activities with knowledge of industrial property rights - helping them to safeguard their investments and competitive positions and create economic growth in Norwegian society.

The Nordic Patent Institute is a partnership between the patent authorities in Denmark, Norway and Iceland. Its main role is to provide various types of service in the patents field to other patent authorities and to individuals. The Nordic Patent Institute has the status of a PCT authority, i.e. an international authority for novelty analyses and preparatory assessment of patentability.

The regulations for patent, design and trade mark protection are managed by the Norwegian Industrial Property Office, which also processes applications.

There are various registration forms associated with patents, trademarks and designs, which can be found on the Norwegian Industrial Property Office web site.

To apply for a patent abroad, you can submit a patent application to the national authorities in the individual countries in which you are seeking patent protection, or you can make use of international or regional schemes that make it easier to apply for patents in several countries at once.

**Product introduction**

In 2010 there were 1494 enterprises that have introduced new or significantly improved products that were new to the market, which is 0.56% of all registered enterprises in Norway; additionally, 1206 enterprises engaged in market introduction of innovations (Table 6.4.).

**Entering foreign markets**

In 2010 there were 984 foreign affiliates abroad controlled by residents of Germany (outside the EU27 countries); 1854 enterprises in 2010 were selling

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156 Eurostat 2012
goods and/or services in other EU, EFTA or EU-candidate countries of which 867 enterprises were selling technological and non-technological innovation goods.

In 2011 Norway's exports were worth 124.2 (1000 million) EUR with 2010-2011 growth rate of 26.1%.
<table>
<thead>
<tr>
<th>Country</th>
<th>Enterprises that have introduced new or significantly improved products that were new to the market</th>
<th>Patent applications</th>
<th>Enterprises engaged in market introduction of innovations</th>
<th>Enterprises that sell goods and/or services in other EU, EFTA or EU-candidate countries</th>
<th>Enterprises that sell goods and/or services in any other country than EU, EFTA or EU-candidate countries</th>
<th>Number of SMEs that export</th>
<th>Number of SMEs that import</th>
<th>Outward FATS</th>
<th>Total Amount of Enterprises</th>
<th>Population (January 1, 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>22273/ (1.1%)</td>
<td>59444</td>
<td>-</td>
<td>33153/ (1.6%)</td>
<td>7769/ (0.4%)</td>
<td>22355/ (1.1%)</td>
<td>3319/ (0.2%)</td>
<td>51097/ (2.5%)</td>
<td>25963/ (1.3%)</td>
<td>76265/ (3.7%)</td>
</tr>
<tr>
<td>Poland</td>
<td>2888/ (0.2%)</td>
<td>4123</td>
<td>2953/ (0.2%)</td>
<td>3023/ (0.2%)</td>
<td>14555/ (1.0%)</td>
<td>1860/ (0.1%)</td>
<td>6006/ (0.4%)</td>
<td>21755/ (1.5%)</td>
<td>11057/ (0.7%)</td>
<td>27567/ (1.9%)</td>
</tr>
<tr>
<td>Denmark</td>
<td>1112/ (0.5%)</td>
<td>1771</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Norway</td>
<td>1494/ (0.6%)</td>
<td>1775</td>
<td>1206/ (0.4%)</td>
<td>867/ (0.3%)</td>
<td>987/ (0.4%)</td>
<td>622/ (0.2%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lithuania</td>
<td>518/ (0.6%)</td>
<td>108</td>
<td>597/ (0.7%)</td>
<td>632/ (0.8%)</td>
<td>1924/ (2.4%)</td>
<td>459/ (0.6%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 6.4. Characteristics of SMEs in Lithuania, Poland, Germany, Denmark and Norway


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157 Outward FATS describe the activity of foreign affiliates abroad controlled by residents of the compiling country

158 Total business economy except financial and insurance activities
6.4 Support from private institutions

**Lithuania**

The SMEs’ access to finance from private sources involves mainly bank loans in Lithuania. The share of SMEs experiencing problems with access to finance is below the EU average. In 2010, the volume of loans reached 3.9% of the country’s GDP, being lower than 5.65% EU average. The loans below 1 million EUR were granted with an average interest rate of 5.7%, being slightly above 5.05% EU average (ECB data). The percentage of successful loan applications by SMEs was lower in 2010 than in 2007, decreasing from 89.2% of all loan applications in 2007 to 58.4% in 2010 (EUROSTAT 2011).

- Loans

The amounts of loans granted by banks in Lithuania were rising between 2007 and 2009 (data from ECB). This positive trend shifted in 2010 when we see a decline. Simultaneously average interest rates for loans up to EUR 1 million fell from 8.79% in 2009 to 4.81% in 2011 (average between January and September).

![Interest rates for loans up to 1 million euro and interest rates for overdrafts](http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/situations-in-member-states/lt/index_en.htm)

*Source: European Commission*

- Guarantees

After a peak in 2006 the volume of granted guarantees declined in 2007 and 2008. From this point the volume of guarantees rose in 2009 but did not reach the high level seen in 2006. In 2010 again a fall in terms of volumes was recorded. The number of beneficiary SMEs using guarantees rose throughout the period. The observations made in this chart are based on data from AECM.

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Source: European Commission

- Venture capital

Available data from EVCA bring information regarding summative venture capital activity in Estonia, Latvia and Lithuania. Total venture capital investments in these Baltic countries were largely falling down between 2007 and 2009. In 2010 first signs of recovery were visible but the market did not manage to reach its previous potential. Identical trend was also observed regarding the number of SMEs covered with VC investments.

Source: European Commission

Poland

Bank loans are a primary source assuring access to finance for SMEs in Poland. In 2010 the volume of loans reached 1,8% of the country's GDP, much lower than 5,65 % EU average. The loans below 1 million EUR were granted in 2010 with an average interest rate of 6,4%, above EU average being 5,05 % (data from ECB). The percentage of successful loan applications by SMEs was lower in 2010 than in 2007, from 91,9% of all loan applications in 2007 to 85,4% in 2010 (EUROSTAT 2011). In 2007 virtually no early stage venture capital funding was provided. In 2010 there were 69 venture investments reported to EVCA in the amount of 0,0072% GDP. Both venture capital indicators (related to the early and expansion stages) are below the EU average performance. It must be stated also that the data

for Poland covering VC, BA and guarantees are not fully available.

- **Loans**

According to the ECB data the economic crisis did not largely influence the amounts of loans granted by banks in Poland up until 2009. A small decline was noticeable in 2010, followed by a more marked one in 2011. The decline in loan volumes was accompanied by a decline in average interest rates for loans up to EUR 1 million, from 8,09% in 2009 to 5,72% in 2011 (for 2011 data cover the period from January to September).

![Graph showing interest rates and loan volumes]

*Source: European Commission*

- **Guarantees**

As data from AECM for Poland is only available for 2009 and 2010. No valid conclusions can be drawn as regards the evolution of the indicators over time, apart from the fact that in 2009 there were more guarantees granted than in 2010 in terms of volumes, but in terms of number of beneficiaries 2010 performance was much higher.

![Graph showing SMEs by GDP and guaranteed volumes]

*Source: European Commission*

- **Venture capital**

As indicated by data from EVCA, the downward trend in the VC investment activity in Poland registered in 2008 and 2009 was reversed only in 2010. VC investments however have not yet reached their pre-crisis level.
Incompleteness on the business angel activity in Poland makes it difficult to clearly determine the evolution of indicators over the analyzed period of time. Nevertheless, existing data seems to point out to a decline in BA activity between 2006 and 2009 as regards investments volumes, accompanied however by an increase in the number of deals. The observations made in this chart are based on data from EBAN.

**Germany**

Debt financing is the prevailing method for SMEs in Germany to have access to external sources of finances. In 2010, the volume of loans reached 4.3% of the country's GDP. Loans were granted in 2010 with an average interest rate of 3.4%, being lower than 5.05% EU average (ECB data). Data released by Eurostat in 2011 indicated a decline in the number of successful loan applications from 85.3% in 2007 to 75.9% in 2010. The alternative of equity financing is much less used comparing to loans but is developed much above EU average: in 2010 there were 1994 venture capital investments, representing 0.28% of Germany's GDP, compared to 0.17 EU average (EVCA).

**Loans**

ECB data show that the 2009 interest rates reduction was accompanied by

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an increase in the overall loan volumes, but in 2010 and possibly 2011 reducing further the interest rates no longer triggered supplementary loan volumes. This evolution may be partly explained by a slowdown in demand, as SMEs are focusing less on investments in terms of economic crisis.

Source: European Commission

- **Guarantees**

Years 2009 and 2010 are marked by an increase in the volume of loan guarantees granted in Germany, but the increase is much less significant than the one that occurred at EU level. The chart is based on data collected by AECM.

Source: European Commission

- **Venture capital**

EVCA statistics show a clear slowdown in venture capital activity in Germany following the onset of the financial crisis, evolution which is consistent with the dynamics of the VC sector all through Europe. As opposed to EU averages however year 2010 marked a slight increase in overall VC investments and a more significant pick up in terms of number of investee companies.
**Business angels finance**

EBAN data indicate that the business angels market doubled between 2005 and 2009 as regards both deal volumes and number of companies benefiting from investments. Due to gaps in the data series the chart does not present the number investment deals in 2007 and 2008 and the BA investments’ total volume in 2008.

**Denmark**

Like elsewhere in Europe, Danish SMEs rely to a great extent on bank loans in order to meet their financing needs. In 2010, the total volume of loans reached 7.5% of the country’s GDP and loans below 1 million EUR were granted in 2010 with an average interest rate of 4.4% (information based on data from ECB). The percentage of successful loan applications by SMEs decreased from 91.8% of all loan applications in 2007 to 59.8% in 2010 (EUROSTAT 2011). On the equity finance side, the availability of total venture capital financing is similar to the EU average. In 2010 there were 97 venture investments representing 0.30% of Denmark’s GDP, being much above the EU average of 0.17% and slightly below the Euro Area average of 0.35% (data from EVCA).

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As for most of the EU countries, ECB data suggest that the highest level of granted loans was reached in 2009, followed by a decline in 2010 and possibly in 2011. Interest rates continued their downward evolution from 2008 through to 2011.

Source: European Commission

- Venture capital

The performance of venture capital in Denmark was marked with a negative trend from the start of the financial crisis all the way to 2010, as total venture capital investments as well as investments in seed and start-up companies fell. EVCA data show that the number of SMEs benefitting from VC investments followed the same evolution.

Source: European Commission

- Business angels finance

Insufficient data does not allow for an analysis of the evolution of business angels investments in Denmark.
Available financial support for SMEs in Lithuania, Poland, Germany, Denmark and Norway is provided in Annex 2. The most developed market for venture capital is in Germany and Denmark. On the contrary supply of bank loans and guarantees in Poland exceeds supply of this kind of finance in Lithuania, Germany, Denmark and Norway.

6.5 Developed public or private support programs

This chapter examines the extent to which current support programs in main competitive countries – Lithuania, Poland, Germany, Denmark and Norway, appear to address the main internationalization barriers highlighted earlier in this report: financial barriers, informational and contact barriers, managerial capacity barriers.

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL BARRIERS</strong></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>The Export Credit Insurance Corporation (Kuke) has special provisions for SME exporters, e.g. the Easy Export guarantee-insurance program aimed at exporters that are unable to provide banks with appropriate collateral to finance an export contract.</td>
</tr>
<tr>
<td>Germany</td>
<td>The German Federal Government provides credit guarantee scheme, Hermes cover, for SME exports.</td>
</tr>
<tr>
<td>Norway</td>
<td>The Norwegian Guarantee Institute for Exports (GIEK) offers simplified procedures and documentation for SME export credits.</td>
</tr>
<tr>
<td><strong>INFORMATIONAL AND CONTACT BARRIERS</strong></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>The „Globally active initiative“ provides assistance, including trade fair and market development support to SMEs. Also offers tailored advisory and information services and Hermes cover to facilitate SMEs targeting of high-risk countries.</td>
</tr>
<tr>
<td>Denmark</td>
<td>The Trade Council of Denmark offers assistance for SMEs through its network of representations around the world. The assistance includes market analysis and partner identification and facilitation. The Trade Council also has an export preparation and an export start program as well as a program targeted towards joint export promotion campaigns.</td>
</tr>
</tbody>
</table>

Table 6.5. Sample programs for redressing main barriers to SME internationalization in main competitive countries

Source: Adapted from various sources

As excellent case study here could be mentioned establishment of first European pre-incubator in Germany.

In 1997 a private limited company the “Institute for Innovation Transfer” at the University of Bielefeld in Germany established the first European pre-incubator. The pre-incubator was designed to qualify and coach academic entrepreneurs, increase the number of sustainability of the spin-offs from the University of Bielefeld and to foster the entrepreneurial spirit at the university. The success of
the incubator approach has been proved by transferring the idea to several other European universities.\textsuperscript{163}

The aims of the pre-incubator at the University of Bielefeld are:

- To qualify academic entrepreneurs to found and to manage a company on their own;
- To increase the number of academic spin-offs;
- To create sustainable spin-offs;
- To create a “culture of entrepreneurship” within the university.

The Bielefeld pre-incubator supports technology-based business ideas from scientists of the University of Bielefeld, which incorporate a high commercial potential. The pre-incubator focuses on training and coaching of potential entrepreneurs and provides the legal cover for the commercial activities of the profit-centres, which are not independent legal entities. During pre-incubation, the future entrepreneurs explore the market demand and potential of their business ideas by the sale of pilot products or services. If the market test turns out to be successful, the entrepreneur closes his profit centre and sets up a new company instead.

Academic researchers admitted to the pre-incubator set up their own profit-centres within the private limited company. A profit-centre is a structural subunit of the pre-incubator which provides the frame for business activities the “entrepreneur”. The “entrepreneurs” may use their income or financial resources to employ staff in their profit-centres, however, contracts of employment are made between the employees and the pre-incubator, which is also responsible for paying the salaries and keeping the accounts. Furthermore, the “entrepreneurs” are free to address clients and suppliers in the name of the pre-incubator, and they are allowed to shape their own corporate identity of their profit-centres, e.g. by an individual name, a logo of the profit-centre and an individual design of letterheads. The contracting party is always the pre-incubator.

\textbf{6.6 Available state support instruments for SMEs}

\textbf{Lithuania}\textsuperscript{164}

The Ministry of Economy of Lithuania administers various programs and state budget subsidies, which have been allocated for implementation.

Public services to small and medium-sized business and to individuals who intend to start business are provided using the EU structural support funds as well as the national and municipal budget funds intended for the promotion of entrepreneurship and small and medium-sized business development.

The provision of public services for business is guaranteed by initiating and implementing targeted business projects which may be potentially implemented by public office Enterprise Lithuania, business information centers and business incubators operating in Lithuania, associated business structures and other legal

\textsuperscript{163} Irini Efthimiadou, Theologos Prokopiou, Paris Kokorotsikos, “Science-based Incubators Linked with Universities”, Ohrid, 2011

\textsuperscript{164} http://www.ukmin.lt/web/en/
EU structural assistance to Lithuania is provided through:

- Business Lithuania;
- Lithuanian Business Support Agency;

The Lithuanian Business Support Agency (LBSA) is an implementing agency that has been designated to manage and administer financial support provided by the European Union Structural Funds and national support programs.

- Invenga

The purpose of INVEGA activities is to promote the development of small and medium-sized enterprises in Lithuania facilitating their access to the sources of financing.

- Lithuanian Innovation Centre;

The Public Institution Lithuanian Innovation Centre (LIC) is a non-profit organization, providing innovation support services to enterprises, research institutions, industry associations and business support organizations.

- Business Gateway.

The Point of Single Contact for Services and Products (PSC) in Lithuania was established on 24 December 2009 in compliance with the Services Directive and Products (Mutual Recognition) Regulation and performs the functions of Point of Single Contact as well as Product Contact Point.

Any relevant business information for providing services and trading products in Lithuania can be accessed through the PSC's website Business Gateway.

The Export promotion measures include counseling-support in the domestic and export markets, assistance and support with regards to the participation in trade fairs, exporter and importer missions and international exhibitions as well as state-supported export guarantees.

Three major groups of the measures include:

- counseling-support, provided by the government agency Enterprise Lithuania and the network of Commerce Attaches;
- the EU support intended to encourage enterprises to seek foreign partners more actively and increase sales in foreign markets (measure „New opportunities“ and others);
- the guarantees for export credit insurance, provided by the agency INVEGA.

Poland

SME support system in Poland can be divided into three levels: national level, regional level and service providers.

National level is formed by Ministry of Economy, Ministry of Regional Development and Ministry of Labour and Social Affairs. Polish Agency for

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165 PARP. Presentation „Polish Experience in SMEs Development“, 2012
Enterprise Development (PARP) is governmental agency, responsible for implementation of economic development programs. Its main objectives are enterprise development; support for R&D development; export development; creation of new jobs, tackling unemployment; human resources development and regional development.

Regional level is formed by 16 regional financing institutions, cooperating with PARP in the implementation of national programs. They are managed by Marshal Offices. Responsibility of Marshal Offices is:

- enterprises:
  - grants for micro-investment projects;
  - support for start-ups (grants, counseling, loans);
  - training and consulting services co finance;

- business environment:
  - grants for BSOs, mainly working in area of innovation and technology;
  - capital for Loan and Loans Guarantee Funds;
  - R&D centres development;

- infrastructure development.

Service providers provide advisory, training, information, financial and pro-innovative services. They can be classified into:

- National System of Services for SMEs (KSU)\(^\text{166}\);

The National System of Services for SMEs (KSU) is a network of groups of service providers and organisations specialising in the provision of various business services to enterprises and persons starting out in business.

Over 200 KSU centres offer a wide range of assistance to micro, small and medium-sized companies at different stages of their development as well as assistance with the effective use of EU funds. The KSU also helps entrepreneurs that are just starting a business.

The KSU centres offer so-called system services, meaning services that require state assistance. These include information services (as part of the KSU Consultation Points), pro-innovation advice (as part of the National System of Services for SMEs), and financial advice on securing guarantees and loans (as part of loan and guarantee funds cooperating with the KSU). The KSU offer changes in response to the needs of the companies in the SME sector: the range of services is modified and new services are devised and tested. For example, the recently implemented pilot advisory services on business cost optimization as well as training and advisory services on environmental protection.

- other service providers.

**Germany**

Germany is a federation consisting of 16 states (Länder). Each of the 16 federal states has its own legislation and administration. Whereas economic legislation is mainly enacted at the federal government level, the states manage and supervise the local administrative authorities.

Therefore there are many state-level institutions that provide helpful support for business operations in Germany. These range from state investment promotion agencies and startup centers to online administration guides and services which are specialized in the relevant state.

Germany's main points of contact for businesses are the Chambers of Industry and Commerce and the Chambers of Handicrafts in the individual federal states (Länder).

SMEs form the heart of Germany’s social market economy and serve as the key engine of growth and employment. Federal Ministry of Economics and Technology has developed Policy for small and medium-sized businesses. One of the primary tasks of SME policy is to shape the policy framework for small and medium-sized businesses in a way that enables them to unleash their full potential for growth and innovation.¹⁶⁷

The Federal Ministry of Economics and Technology has launched a new SME initiative called "Building on SMEs: greater responsibility, greater freedom" which targets seven priority areas that are crucial for the commercial success of SMEs. These are: innovation; skilled workers; business start-ups and business succession; market opportunities abroad; financing; raw materials, energy, and materials efficiency; bureaucracy reduction.¹⁶⁸

In these fields, and in close dialogue with the SME sector, the Federal Government is improving the conditions for entrepreneurship, creating greater freedom and flexibility for SMEs, and providing additional stimuli for growth and jobs in Germany.¹⁶⁹

**Denmark**¹⁷⁰

The responsibility for entrepreneurship policies in Denmark is mainly divided between *The Ministry of Economic and Business Affairs* and *The Ministry of Science, Technology and Innovation* at national level (Table 6.6.). The former has the responsibility for general entrepreneurship policies, while the latter focuses on commercialization of knowledge and support to science-based entrepreneurs. In addition, the Ministry of Education and the Ministry of Foreign Affairs have responsibility for minor parts of entrepreneurship policies related respectively to the introduction of entrepreneurship in the primary and secondary school curricula and to support the internationalization of new and small enterprises, including support for innovation through international collaboration.

¹⁷⁰ OECD. Entrepreneurship Review of Denmark. 2008
<table>
<thead>
<tr>
<th>Ministry of Economic and Business Affairs</th>
<th>Ministry of Science, Technology and Innovation</th>
<th>Ministry of Education</th>
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<td><strong>Basic advise to entrepreneurs</strong></td>
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<td><strong>Advise to growth entrepreneurs</strong></td>
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<td><strong>Capital</strong></td>
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<td><strong>Education in entrepreneurship</strong></td>
<td>Oeresund Entrepreneurship Academy Student Growth Houses The Foundation for Entrepreneurship activities and culture</td>
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<tr>
<td><strong>Internationalization</strong></td>
<td>International innovation Centres</td>
<td></td>
<td>Danish Trade Council and International Innovation Centres</td>
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</tbody>
</table>
Financing of projects to promote high growth entrepreneurship

| Technology transfer | Proof-of-concept Science Parks | Regional Growth Foras |

Table 6.6. Main actors involved in entrepreneurship related policies and programs

Source: OECD. Entrepreneurship Review of Denmark. 2008

As the Ministry of Education has the responsibility for primary and secondary education in Denmark, it is responsible for the integration of entrepreneurship in the curricula. This includes description of subjects and objects clause for the different education levels.

The Ministry of Foreign Affairs of Denmark has diverse responsibilities related to the support of the internationalization of Danish businesses. As an integrated part of the Ministry of Foreign Affairs, the Trade Council has the most important role as regards entrepreneurship: it supports Danish companies in their internationalization efforts. Furthermore, the Trade Council aims to support the growth conditions for innovation among Danish businesses by facilitating access to foreign networks, knowledge, technology, capital and markets.

As regards regional development tasks, the regions’ most important task is the preparation of regional development plans and the establishment of regional growth fora. The regional council may appoint up to two regional growth fora. The growth fora consist of representatives from the business sector, educational institutions, the parties of the labor market and politicians from regions and municipalities.

As result of the local government reform, the municipalities have the responsibility for providing business advice at local level, but according to the Law on promotion of Trade, it is not obligatory. Although there is a long tradition in Denmark for the municipalities to provide advice to business, some municipalities are more interested than others in the provision of these. Some municipalities, in the Copenhagen area for instance, seem to have lesser interest as they receive most of their tax revenue from commuters working in the central Copenhagen. Other municipalities on the other hand have been highly dependent on generating employment from new businesses.

The municipalities are also involved in the five regional Centers of Growth since they are the founders of these centers and also have the majority of the positions on the boards of directors. Services provided by these regional Centers of Growth focus on helping new and small enterprises entering a growth trajectory on more specialized matters such as internationalization and IPR for example.

Overall entrepreneurship policy in Denmark can be evaluated as positive, having
resulted in a healthy business environment and very conducive to entrepreneurial activity. Administrative burdens for entrepreneurship in Denmark are very low as Denmark has been more successful than many countries in keeping regulatory and administrative requirements to a reasonable minimum. And the supply to financial resources for entrepreneurial firms is overall favorable in Denmark. The Danish venture capital market has grown steadily in recent years and the concentration and professionalization of activities in the Vaekstfonden has resulted in a larger transparency for companies.

**Norway**

There are few actors in Norway that solely focus on either entrepreneurship or innovation, see Figure 6.1.

*Figure 6.1. Integration of actors in Norway on a national level*

*Source: IPREG Entrepreneurship and Innovation Policy in European Countries. Executive Summary. The Case of Norway*

All of the three involved ministries are involved in both innovation and entrepreneurship, but they focus on different aspects. The Ministry of Education and Research focuses on entrepreneurship and innovation in the school system, The Ministry of Trade and Industry’s interest in innovation and entrepreneurship is related to business and industry development. Finally, the Ministry of Local Government and Regional Development sees innovation and entrepreneurship as important in their work to maintain and develop the rural parts of Norway.

Three state owned enterprises play a vital role in the implementation of both innovation and entrepreneurship policies. These are the Industrial Development Corporation of Norway, Innovation Norway, and The Norwegian Research Council. The Industrial Development Corporation focuses on developing strong regional and local industry clusters, while Innovation Norway takes a broader

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171 IPREG. Entrepreneurship and Innovation Policy in European Countries. Executive Summary. The Case of Norway
approach and promotes nationwide innovation, internationalization and promotion. The Norwegian Research Council plays an important role in developing and implementing Norway's national research strategy.

Junior Achievement - Young Enterprise also plays an important role in the promotion of entrepreneurship in Norway through their nationwide organization with local divisions in each of Norway's 19 counties. The Norwegian government supports them through annual budget allocations.

In addition to the aforementioned actors, there are several other organizations who offer services to entrepreneurs and innovating firms (see Figure 6.1.).

Several of the actors identified at the national level also operate at the regional level. The three state owned enterprises all have regional branches in most counties. In Norway the County Municipalities play an important role in regional development, and the Regional Development Plans for each county is the core document when it comes to innovation and entrepreneurship policy. These four-year plans provide a basis for dialogue at both regional and national levels when it comes to regional development policies.

As excellent case study here could be mentioned Academic Business Incubators developed in Poland.

In the Poland there has been developed the largest academic initiative which strives to promote entrepreneurship among young Polish citizens - Academic Business Incubators. Academic Business Incubators operate on the premises of the 31 best universities in Poland. The Academic Business Incubators Network is the largest such institution in East-Central Europe.

Academic Business Incubators are part of the ABI Group, which is comprised of Polska Przedsiębiorcza (Entrepreneurial Poland), ABI Seed Capital, ABI Business Link and Agencja Inowacyjnej Promocji (Agency For Innovative Promotion). The ABI Group is a network of institutions developing the idea of entrepreneurship in Poland and the world leader in terms of the quantity, quality and innovativeness of entrepreneurship-promoting activities.

Academic Business Incubators help young individuals enter the world of business thanks to our innovative, world-class method of operating a business within the framework of an ABI division, without the need to establish a private enterprise, which reduces costs, paperwork and the risk to young entrepreneurs and enables them to focus on the development of their own business venture.

6.7 Other types of support

Main types of support for SMEs are described in the previous subchapters. This subchapter contains information about most noticeable and successful annually organized competitions aimed at supporting development of entrepreneurship, innovations and internationalization.

**Lithuania**\(^\text{172}\)

- Idėja LT ("Idea LT")

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Aim of the program is to provide support for the creation of new and innovative products or services, processes for SMEs, applied research.

The measure Idea LT aims to increase the R&D activities in business sector. It supports the preparation for the implementation of R&D projects in enterprises, namely, the performance of R&D project feasibility studies and so reduce the risk of R&D activities in enterprise. The supported action is the preparation of the planned R&D project related feasibility studies and risks assessment.

Relevant policy priorities: Direct support of business R&D (grants and loans); R&D cooperation (joint projects, PPP with research institutes)

The maximum amount of support for a project of up to 150 000 Lt. Minimum, the facility funding in the project is LTL 20 000.

**Poland**

- *Support for obtaining grants*\(^{173}\)

The aim of the program is to improve the innovation of micro-, small and medium-sized enterprises through co-financing their participation in international innovation programs.

The program is addressed at entrepreneurs who have submitted their project applications under an international innovative program as coordinators, or participate in such a project as partners. The prerequisite for the support is the positive formal assessment of the project application.

International innovation program is a program which assumes cooperation between enterprises and scientific units or with other enterprises, where the cooperation involves entities from at least two countries and which is aimed at conducting research and development works. Implementation of such international innovation program could not, however, have started earlier than in 2007. One of the examples of such a program is the 7th Framework Program for Research and Technological Development of the EU.

Support under the program involves covering costs (refunds) of preparations and submission of one project application in response to one call for proposals under an international innovation program.

The amount of the support for obtaining grants allocated to one enterprises cannot exceed PLN 75,000 for a coordinator of an international innovation project and PLN 35,000 for a partner in an international innovation project. The amount of support for obtaining a grant may be up to 100% of expenditures eligible for grant and constitutes a de minimis aid.

**Germany**

- *EXIST – University-Based Business Start-Ups*\(^{174}\)

EXIST is a support program of the Federal Ministry of Economics and Technology (BMWi) aimed at improving the entrepreneurial environment at universities and research institutions and at increasing the number of technology and knowledge

\(^{173}\) [http://en.parp.gov.pl/index/index/1885](http://en.parp.gov.pl/index/index/1885)

based business start-ups. The EXIST program is part of the German government’s “Hightech Strategy for Germany” and is co-financed by funding of the European Social Fund (ESF).

EXIST Business Start-Up Grant supports the preparation of innovative business start-up projects at universities and research institutions.

The grant aims to help scientists, university graduates and students developing their business ideas into business plans and to advance their ideas for products and services. To cover their living expenses, the entrepreneurs receive a grant between 800 to 2,500 euro per month, depending on their degree, for a maximum period of 12 months. In addition, they receive materials and equipment (worth 10,000 euro for solo start-ups and 17,000 euro for team start-ups), funding for coaching (5,000 euro) and, if necessary, child benefit of 100 euro per month and child. The university or non-university research institution offers them infrastructure during the pre-start-up phase and provides technical and start-up-related assistance.

- Maximum period of support: one year
- Subsistence grant depending on level of degree:
  - Doctorate: € 2,500 / month
  - Graduates: € 2,000 / month
  - Undergraduates: € 800 / month
  - Child supplement: € 100 / month / child
- Material expenses: up to € 10,000 for individual start-ups (up to € 17,000 for teams)
- Start-up-related coaching: € 5,000

**Denmark**

- **Vitus export program for Danish companies with global growth potential**

Vitus is specially aimed for small and medium-sized enterprises that want to establish export to a new market.

To be eligible the company must meet following criteria (for entire group):

- Maximum – DKK 150 million. in annual turnover
- Between 5 and 150 employees
- Experience from several export markets

In addition, the company must have the will, financing and expertise to expand globally as well as a product with a realizable sales potential in remote markets.

There is room for 10 companies every six months. And the goal is clear: A new export success in 9 months.

Vitus is aimed at companies that want to start up export markets in the EU, EFTA, North America and Oceania.

- **The Export Start Program**

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Through the Export Start Program, small and medium-sized Danish companies can receive counseling-support from the Trade Council’s competent advisors present in the export markets. The counseling is flexible and individually tailored to the needs of the company.

The Export Start Program could include, for example:

- Market- and competitor-analyses
- Distributor and partner search
- Counseling on the establishment of a business and market processing
- Information regarding local market conditions and legislation

To best service small and medium-sized Danish companies in their chosen market, the Export Start Program is divided into two categories:

- **Export Start**

For markets within the EU, EFTA, North America and Oceania One Export Start Package/Plan consists of 35 hours of counseling. 35 % of the regular hourly rate is subsidized. Additional hours may be purchased at the regular rate per hour.

- **Export Start Growth**

For markets outside of the EU, EFTA, North America and Oceania One Export Start Package consist of 50 hours of counseling. 50 % of the regular hourly rate is subsidized. Additional hours may be purchased at the regular rate per hour.

A company is eligible to receive up to 6 packages in total either to one market or several markets.

The company must have fewer than 100 employees and an annual turnover of less than DKK 150 million.

**Norway**

- *Norwegian Industrial Research and Development Contracts (IRD)*

Innovation Norway, a government-funded company supporting growth, innovation and internationalization of Norwegian small and medium sized enterprises (SMEs), set up a support scheme called Industrial Research and Development Contracts (IRD). It enables SMEs with high-growth potential to penetrate international markets with new and innovative solutions. The IRD scheme provides grants to research and development projects where an SME supplier teams up with a demanding, larger and preferably international customer. Traditionally, innovators are supported by technology-driven innovation policies. This can lead them to develop products not necessarily adapted to the market at that moment. Moreover, changing conditions in a globalizing world economy require SMEs to become market leaders by catching international opportunities. The originality of the IRD relies on the fact that it allows SMEs to match technology and market driven innovation processes by supporting technological development with a clear international market potential.

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An evaluation in 2007, based on more than 1200 financed projects in the period 1995–2005, showed that 44% of the projects were commercial successes. Only 12% of the projects failed. Companies with a highly educated staff, innovation strategy and international partners were the most successful ones. The projects have created substantial turnover and exports equivalent to at least the total grants over the last 10 years (over NOK 1.4 billion in 1995–2005). IRDCs are considered to be one of Innovation Norway’s most successful support schemes encouraging both innovation and internationalization at the same time.

The scheme has its main focus small and medium-sized Norwegian suppliers who have expertise, resources and capacity to develop new products, services or solutions for demanding customers in the private or public sector.

7 Interview summary: institutions and initiatives

7.1 Support provided by institutions

Financial

In general, financial institutions provide bank loans to SMEs for their internationalization as well as consultancy services and factoring services. Financial institutions which are not banks provide more export coaching, consultancy, networking services together with loans and grants for SME development. In Finland, these grants cannot be used to finance SME marketing activities. Thus support provided by financial institutions can be described as integrated financial and knowledge and competence support. Such approach has a positive impact on the outcome of the support as well as allows some individual adjustments on finance-knowledge support package. Individualization has been emphasized as a crucial point by majority of respondents as well as secondary sources.

Public

Public initiatives mainly organize exchange visits, networking seminars, study trips or provide the funds for an SME participation in international fairs which can be considered direct support for internationalization. Public initiatives in Latvia provide financial support for regional marketing activities, such as tourism promotion. Even though a scope of support activities is sufficiently wide many respondents noted that the outcome of such support initiatives could be improved if those activities were more tailored for particular industries.

Private

Private initiatives offer venture capital solutions or similar types of direct financial support for SMEs which want to internationalize and boost their international profile. Additionally, private initiatives, like the public ones, support SMEs by providing them with foreign contacts. However support from private actors often is perceived with little caution. Consequently some kind of instrument can be employed in order to lower risk perception by the nascent entrepreneur.

Higher Education

Higher education institutions offer business export plan development aid and other consultancy services – foreign market research, mentoring, seminars on
how to access venture capitals and other forms of financial resources. In all four countries, higher education institutions offered training courses for managerial capacity increase. In addition, Estonian, Swedish and Finnish universities offer R&D support by providing SMEs with product development resources (facilities, human resources, know-how). Such support is very limited in Latvia thus suggesting that Latvian companies should co-operate with their partners in other countries in order to access R&D support.

In Estonia, also several initiatives provided very specific support for SMEs – they offer product testing services in Estonia and soon also in the international living lab network. Similar opportunities should be available in other countries like Sweden and Finland however they were not mentioned during the interviews.

7.2 Supported SME profile

There is no unifying profile of SMEs that institutions/initiatives are supporting for internationalization and international cooperation. The SME profile requirements are often associated with the industry, geographical scope, or focus areas of the institute/initiative itself. For example, Tartu Biotechnology Park mostly supports biotechnology companies or projects. In Finland, majority of the institutions indicated that the fact that the company is Finnish and product is of Finnish design is necessary precondition to apply for support. Financial institutions and private initiatives in all four countries noted that the main determinant is the quality of the idea and its business plan. Banks only provide loans to already existing SMEs with present cash-flow often, the previous SME or staff managerial experience can play an important role, however there in no specific SME age range.

7.2.1 Support seeking activity

Programs and schemes that have been running for some time, the amount of applying SMEs is significantly higher than the programs or schemes which have been opened recently. Additionally, grant programs are more in demand than schemes which offer networking or foreign market consultations. Financial institutions in Latvia indicated that more SMEs could apply for internalization support. This suggests that more promotion activities should be involved for newly opened support programs. Alternatively if one-stop-shop option is fully operational the SME’s should be aware where to look for concentrated support information.

7.2.2 Typical international business activities

The general trend regarding the international business activities was that SMEs are or plan to be involved in exporting activities; they whether export of plan to export services and products. In Estonia many SMEs are looking for foreign partner in order to exchange (import or export) their know-how, especially SMEs in the ICT industry.

Higher education institutions in all four countries reported that often SME’s international activities include cooperation with foreign partners due to advance in R&D or participate in FP7 calls.
7.2.3 Main co-operation countries

Initially, SMEs are interested in the markets of neighboring countries. For Finland and Sweden they are Scandinavian countries as well as the Baltics; for Latvia and Estonia – the neighboring Baltic countries. This can be attributed to the fact that the culture and market differences are less significant. In later stages, SMEs from all four countries are interested in Russian market and EU market, especially Germany.

However in spite of the existing co-operation ties there are efforts to promote internationalization to other countries. As it was stated in the interview with M.Harkonen from Ministry of employment and economics support to international co-operation with other EU countries is not a priority. The focus in support providing is put on such countries like Russia, China, India and developing countries like Brazil and others.

Situation is completely different with Latvian and Estonian institutions indicating that SMEs are primary interested in co-operation with neighboring countries. Some are also interested in the US and African, South American and Far-East Markets.

7.2.4 Reasons for SMEs for international activities

One reason was dominant in all the answers of institution/initiative representatives – the limitations of the domestic market; these limitations (mainly size) is the main barrier for enterprise growth and expansion and thus for an SME to grow, they need to expand their horizon and enter foreign markets. For those SME’s not active in internationalization main reasons mentioned are unwillingness, insufficient capacity and knowledge. In Finland also it was mentioned that language barrier can be considered as a problem, especially Russian.

In Estonia, the higher education institution indicated that often R&D facilities are located in foreign countries and thus, in order to develop new products, the enterprise is required to internationalize. In Sweden the education emphasizes the need for ventures to think beyond the Swedish borders due to the same reason – at times there is a need to team up with research or other competences that are not available in Sweden.

7.2.5 Are SMEs aware of public support programs for internationalization?

Overall, in all four countries SMEs are aware of the fact that support programs are out there, however, it was indicated that at times there is a slight confusion which program is the most suitable and which instrument SME should apply for. This is mainly due to the fact that many enterprises know of instrument/program but they are not familiar with the details of instrument/program. Familiarity with program and its details grows the older the program gets.

Generally, SMEs are aware of public support programs for internationalization; they are more interested in programs which offer funding and could be more aware of in-direct support programs (networking, market information events etc.).

In Sweden, it was reported that the actual existence of support programs for
internationalization is not the problem, but knowing which actor to contact at which stage is an ambition to internationalize the venture.

7.2.6 What are the main barriers for SMEs for international cooperation?

Shortage of capital to finance exports was determined to be one of the most important internal barriers for SMEs for international cooperation. In addition, adapting export products to foreign markets, lack of managerial skills and marketing/promotion are also important internal barriers.

Externally, the unfamiliarity with foreign business practices, severe competition overseas as well as strict foreign rules and regulations e.g. trade defense IPR issues are identified as the most important external barriers for SME internationalization.

Size of foreign market or lack of logistics facilities are considered to be the least important barriers externally and internally respectively.

It is interesting to note, that in Latvia verbal and non-verbal language skills are more important barrier than in other countries.

In Finland a particular barrier mentioned was difficulty to get permission to enter Russia. However this still does not change priority to look for closer and easier to access markets like Baltic countries or Sweden.

Overall, almost all potential barriers identified in the interview template could probably at some time be true for every SMEs wanting to expand in to new countries and markets. But as indicated in the guide the barriers may be more or less difficult to break down. However, most of the barriers can be reduced with time. This aspect was emphasized from interviews in Sweden. Eventually you get understand cultural traits and how a market works. Eventually you are able to build trust with potential partners. Eventually your company is more recognized and has a stronger brand reputation, etc. So the lack of time is probably one of the more crucial barriers. This also is related to patience since many SME’s are expecting an instant result from the internationalization, preferably – in monetary terms. In general it was stated that the first result from internationalization can be expected after 2-3 years of co-operation. During that period revenues from exports do not cover costs.

Almost all respondents from supporting institutions noted that skills and competencies are important barriers for international expansion. In particular marketing promotion and managerial skills were mentioned.

7.3 What would be prior directions from state side to promote international cooperation of SMEs?

The most effective state direction which would promote SME internationalization is simplification of state bureaucratic processes thus decreasing the administrative burden for SMEs which has to be overcome in order to internationalize. Additionally, tax policy alteration is a prior direction, which would promote SME internationalization, such as tax exemptions, lower tax rate etc.). It was noted that in Estonia the social security tax for foreign workers is high and thus often prevents SMEs to hire foreign managers which would allow them to increase their capacity in working in international environment.
In addition, the state could develop legislation schemes which would allow it to aid SMEs in accessing foreign markets. Such schemes would include business contact point creation, as indicated in Latvia or establishment of internationalization consultancy center (Latvia) which would allow the state to provide subsidized relevant consultancy services to SMEs (Latvia and Estonia).

Positive, success story marketing activities at the national and international level was indicated as an important state direction in Latvia which would promote SME internationalization.

Also support for communications and networking is mentioned as possible support area.

Technical infrastructure and support for mobility also should be on the agenda for development of support for SME’s internationalization.

Interviews with institutions providing very industry specific support also revealed that tailored support from the state is expected. Such opinion was expressed by representative from Estonian support program Gamefounders emphasizing the importance of specific gaming education that should be supported by state. As good example Swedish experience in Skene was mentioned.

8 Interview review: SME’s

8.1 Current state of international activities

Summarizing the results of the interviews in all countries it can be stated that in general international expansion is related to the size of the company. The larger is the company the more likely it is that it will have international activities. The most common activities are import and export. Subcontracting is the next popular way of international co-operation. The lowest activity is represented in technology co-operation.

Another aspect that determines international co-operation is age of the company. From all the interviews it can be stated that older companies are more likely to have international co-operation. Especially it could be observed in Finland. In Finland it is hard to find SMEs that are with more than 50 workers but would not have international activities. This could be explained with the fact that Finland has historically been a strong economy and thus many SMEs are 50+ years old and have managed to start international activities at some point. Companies that do not have international activities are mainly those who are new.

8.2 Typical international activities for companies

Latvia

Mainly export, also import of raw materials. Majority of companies (both small and medium) export their output or try to find export channels. Logically in most cases medium enterprises are exporting companies with stable partnership. In most cases export is based on sales of their output using their representatives abroad that ensure marketing activities in that domestic market. Simultaneously there is a range of companies that operate as sub-contractors to fulfill orders of certain companies (e.g., textile industry, metal working) and depend to a great
extent on one or several customers.

**Estonia**

Companies that have established international cooperation do mainly exports. Subcontracting is next most popular type of activity. Technology companies also are involved in technological cooperation activities however the respondents were somewhat reluctant to discover what type of technological co-operation they have.

**Finland**

Almost all companies that do export buy some ingredients or parts of their products outside Finland – either directly or indirectly. These two answers were the most common. Next trend was that companies act as subcontractors (mainly the small ones, especially in IT or metal industries). Subcontracting seems to be a stable base for the business for startups.

**Sweden**

The picture in Sweden was very similar to the other countries when ranging activities from export to technological co-operation.

### 8.3 Main factors influencing decision to internationalize

Here almost all interviewed persons in all countries and groups were mentioning similar factors. First of all to be mentioned was size of the market. In other words in all four countries the local market is considered as being small. Another common aspect mentioned was economy of scale. Companies are trying to increase their production in order to minimize costs and international co-operation is perceived as one of options for it.

### 8.4 Internationalization strategy

The results of the interviews reveal three main types of strategies utilized: passive, active and pro-active. The first type of respondents have stated that their companies have never strived for international co-operation however they were found by the clients and asked for possibilities to supply certain products. Active strategy implied goal oriented search for buyers for the product. Pro-active strategy implied that first needs of the export market are determined and then appropriate product is developed. In the latter strategy foreign partners usually were involved in surveying of the customer’s needs.

From those companies that have internationalized, many of the companies did not have a strategy for implementation of international business activities. One of the reasons for this is that the companies are already international from their beginnings and the strategy they are using is already international. In other words large part of already internationalized companies can be considered as “born global”. However, enterprises, which have implemented international activity strategy, explored the preconditions before developing the strategy by visit to and research on the foreign markets they were interested in. Some of interview respondents mentioned that they had some particular strategy that is not to be revealed for anybody. Mainly those companies were the ones from Latvia. Development of the internationalization strategy is solely responsibility of owners and managers of the company. This is valid for all groups of companies namely
those not having international co-operations.

8.5 Resources for international expansion

All responses from the respondents can be divided in two subgroups: product oriented and process oriented. For the product subgroup most often respondents mention three aspects: unique product (biotech and IT), unique quality of the product and more attractive price. For the process most often mentioned aspects are technology, knowledge, competence etc. During the interviews there are many factors mentioned however all can be reduced to knowledge and skills. Consequently knowledge and skills are to be considered as crucial aspects for international expansion. In addition contacts and networks were mentioned as valuable resources. Interestingly – companies not having international co-operation so far mention their knowledge and skills as valuable and well developed resource. Thus suggesting that some companies might possess the necessary resources however they are not utilized properly.

Companies operating in local markets at maximum capacity and still facing sufficient demand for the products are not considering international expansion. This corresponds to the lack of finances for expansion that is mentioned as important factor by both small and medium companies not having international co-operation. Contrary companies with international co-operation state that finance is not a serious concern.

Human resources are the least available type of resources. It has become very difficult to find highly skilled and qualified personnel with an international background or experience in a professional setting. Financial and technical resources are mainly available. Enterprises which have internationalized state that their organizational structure is suitable for international activities and enterprises, which have not internationalized have the opposite. However these enterprises are willing to implement organizational reforms in case they decide to internationalize.

8.6 Subsidiaries and joint ventures

Even if this type of international co-operation was not mentioned very often still it should be addressed in order to acquire full picture of aspects related to international expansion.

Those already exporting in most cases use their representatives in export markets, which know the local situation, understand local culture, business practice and are competent in a particular field. This strategy is explained by advantages provided by the proximity to the customer in terms of time improved service after sales etc. However majority of companies are not planning to establish foreign subsidiaries. This statement is valid for all groups of countries and sizes.

An interesting aspect to mention here was noted in Finland – some companies are moving back their production from China to Finland. This is happening because of high costs for transportation that ruins profitability of foreign subsidiaries.
8.7 Main co-operation partners

**Latvia**

The responses acquired in general corresponds to the general structure of Latvian export (mainly Baltics, Scandinavian (including Finland) countries, other Europe Russia and CIS countries).

**Estonia**

Mainly Finland, Sweden, Norway, Baltic countries and other EU countries, for few also the US and Australia are mentioned. The Middle-East and South America are also mentioned.

**Finland**

Main cooperation countries of Finland are: Sweden, Russia, Germany, The Baltic States, China. However it is emphasized by respondents that Brazil, India and other developing countries are having very good perspective for co-operation.

**Sweden**

For Swedish companies Germany is the main country of interest for co-operation. This is explained by size of the market and purchasing power. Also UK and USA are of significant interest followed by closest neighbors – Denmark and Finland. Baltic countries are not mentioned as particularly interesting for Swedish companies. Another interesting aspect to be mentioned for Sweden is low interest for Russian market to the difference from other three countries.

8.8 New products for new markets

The companies that develop new products or services say that it is necessary to access new markets in other countries. It is also mentioned to increase their turnovers and because partner companies are giving the input.

Some of the companies do not develop new products or services – they have their certain product or service they provide and they see no need in changing that. Usually in this context also superior quality and favourable price were mentioned.

Some Estonian companies stated very explicitly that they are not manufacturing any new products, but the products are exactly as the client wants them.

For all it is necessary to access new markets in other countries, but also the consequence of competition from other companies. Some respondents mention that differentiation is the key to get larger profits. Consequently the product should be adapted for particular export market.

8.9 Expected growth from exporting

In this aspect there is complete consensus by all companies in all countries. The expected increase in turnover is predicted between 5-20%.

8.10 Main barriers for internationalization

**Latvia**

Most typical barriers for operating companies (especially exporting companies) in most cases concentrate on external barriers, while beginners emphasize
internal barriers, as well as working companies accentuate more barriers related to practical matters, while the beginners mostly mention more global barriers, i.e.:

- For startups at the beginning of their operation internal barriers are of the greatest importance namely:
  - lack of excess production capacity for exports;
  - marketing / promotion (limited information to locate / analyse market, no experience with contacting middleman, foreign representation, distribution channels, lack of managerial skills);
  - shortage of capital to finance exports, e.g., transport, insurance, customs, promotion.

- The most important external barrier for beginners is the great unknown, and at the same time the external market that differs from domestic experience. Since on a practical level contact with export has been comparatively little, beginners are also less aware of practical problems (tariffs, distances, payment level etc.).

- Internal barriers for operating companies are less marked, while as most topical they estimate just external barriers, e.g.:
  - exchange rate risks;
  - size of foreign market;
  - different foreign customer habits / attitudes;
  - severe competition at overseas markets;
  - unfamiliar foreign business practice;
  - high tariff barriers;
  - high none tariff barriers e.g. unfamiliar export procedures / paperwork;
  - strict foreign rules and regulations, e.g., trade defense IPR issues.

- Like beginners, the most relevant internal barrier – exactly the large, not fully acquainted external market with different cultural and economic environment that is typical of it.

It was interesting to note that Latvian representatives were quite actively expressing their opinion about the barriers while respondents from other countries where not emphasizing this aspect.

**Estonia**

Marketing/promotion is the most important internal barrier for successful internationalization of SMEs (both medium and small). This barrier is especially high for small or new SMEs. Another barrier which was mentioned with almost the same intensity was the lack to market researches of the foreign markets. Cultural barrier was also mentioned when SMEs talked about lack of information in foreign markets. Additionally, poor financing strategy, no experience with contracting middleman, foreign representation is considered and important barrier, although more for medium sized enterprises than small ones.

Externally, the most important barrier is the sever competition at overseas markets. For small internationalized enterprises also the distance can turn out to be an important barrier. For the medium sized enterprises different foreign customer habits is considered as a significant barrier.
**Finland**

The most important *internal barriers* are lack of or inability to do a marketing or promotion activities in the foreign markets. This barrier is especially high for small or new SMEs. Another barrier which was mentioned with almost the same intensity was the lack to market researches of the foreign markets. Cultural barrier was also mentioned when SMEs talked about lack of information in foreign markets. Another barrier is not having middleman or distributor in foreign markets and finally not having enough of working capital or financial resources were mentioned mainly by small companies.

The most common *external barrier* is that overseas markets have keen competition and that limits SMEs possibilities to start international activities (as there could be cases even that foreign market has larger competition than domestic). Another barrier is to learn habits and cultural specifics of foreign markets (e.g. Russia or China). With these countries language also is a barrier, as there are not so many entrepreneurs that know Russian or Chinese. Unfortunately there are cases when entrepreneurs do not know even English.

**Sweden**

In general barriers mentioned by Swedish respondents do not differ very much from other countries. However in this context it was emphasized that it is more or less a question of financial and other resources necessary to overcome those barriers. Consequently it can be stated that Swedish companies are having more optimistic view on the possibilities to overcome both internal as well as external barriers for internationalization.

**8.11 Awareness of available support programs**

**Latvia**

In general entrepreneurs are knowledgeable and well-informed on public support programs. Surprisingly there is no sufficient difference between those having international co-operation and those who don’t.

**Estonia**

Some of the interviewed small enterprises reported that they do not know any public support programs (both internationalized and non-internationalized). Enterprise Estonia programs were among the most popular ones among the small enterprises.

Medium sized enterprises knew even less about public support programs for internationalization, however the internationalized medium sized enterprises which knew on those programs, mentioned not only Enterprise Europe but also FP7 and PECS programs.

**Finland**

Most of the SMEs are aware of some public support possibilities but in very rare cases they have used them. As one of the main reasons has been mentioned the fact that this support comes with bureaucratic procedures, that takes time. Support that has been used the most by SMEs is conduction of the foreign market research. The Lapset group mentioned that they used help from Estonian governmental institutions when they were looking for possibilities to make a
production plant in this country. In Estonia they were helped to find a place for the plant and later, when they were building their plant, they got support in building process document management.

**Sweden**

Awareness in Sweden has been evaluated quite differently. Those companies that are operating in close co-operation with educational institutions in general have better knowledge on available support. They are also actively utilizing it. Those companies not having close relations with educational institutions can be described by the sentence: we know that there is some kind of support but we will look for it if we need. In other words motivation to expand activities internationally is a necessary pre-condition for increased awareness of available support.

**8.12 Complexity of support programs**

There are no surprises in this context. Support programs are perceived as complicated and unnecessary bureaucratic. Such a conclusion is provided in all analyzed countries suggesting a serious need for revised procedures.

**8.13 Suggestions for support from state**

**Latvia**

- Financial support, providing with information, trade missions.
- Prior directions would be manufacturing sphere. And to apply regional approach by dividing the focus and support to enterprises outside development centers (cities, towns), but also to regional enterprises located in rural areas.
- Develop export and innovation support centers in selected target countries. Develop co-operation and synergies with embassies.
- More support should be available for small and new companies.
- Develop more goal and not process oriented support control systems.
- Success stories developed with support from state should be promoted. So far negative stories are published more often.
- Support instruments should be adapted for local and regional development priorities.
- It would be necessary to invite more potential partners from abroad and promote local companies as potential partners.
- Incubators should develop more tailored services appropriate for needs of particular companies.
- Support centers for exporting should be developed and state financed. There entrepreneurs should get practical advice on how to develop exporting activities.
- Partner search and matching instruments should be developed.
- Support should be more systematic.

**Estonia**

In general Estonian responses correspond to those mentioned in Latvia:

- bigger financial support and smaller own investment in programs;
• more support programs;
• innovation support;
• help in finding foreign contacts;
• help with juridical documentation and foreign legislation etc;

However there was one aspect mentioned by two respondents from the group of companies that have international co-operation that questions support system in general. According to the respondents state support programs cripple markets and provide unfair competition.

Small enterprises would like more programs which would help them internationalize; additionally the co-financing rate in internationalization programs should be larger for the state than it is now.

Investments in high technology education, foreign workforce and other tax policy reforms (lower taxes) are the suggestions from medium sized enterprises.

Both types of enterprises mentioned that they would like Estonian Air to keep functioning and even develop the air traffic system in Estonia. That would significantly improve internationalization opportunities for SMEs.

**Finland**

Finnish companies in general are more satisfied with the provided support.

The possible improvements mentioned are related to marketing and promotion activity support and for innovation of new products and related research.

**Sweden**

Also in Sweden the general satisfaction with support activities was relatively higher. In addition to previously mentioned support instruments it is suggested to increase available support for knowledge development and education.

Similarly like in Finland support for product development is expected to increase. Also it was mentioned that international activity in services is increasing consequently in the future more support programs for this particular segments would be needed.

8.14 Co-operation with research institutes

**Latvia**

Likewise awareness of public support programs is also with research institutions. Medium exporting enterprises having a greater number of employees have more frequently cooperated with research institutions both in Latvia and abroad that has enabled them to develop new and more qualitative products.

**Estonia**

Main research institutions companies cooperate with are Tartu University and Tallinn Technical University.

Some also have research cooperation with partner universities outside Estonia.

**Finland**

Approximately half of the respondents answered that they have such cooperation.
Main institution mentioned was Turku University of Applied sciences or research centers, specific to SME’s operations. SME’s cooperate with researches to develop/improve their products or to deliver high value service or knowledge (e.g. consulting services).

**Sweden**

Co-operation with education institutions is quite well developed and evaluated positively. However this might be influenced by the fact that large number of interviews was conducted in Gothenburg where proportion of education institutes is larger.

**8.15 Some additional insights**

Many companies mentioned luck as one of the factors – they said it is important to be at the right place at the right time.

Companies also said it is important to be active and be competitive – to be successful you need to be a little aggressive.

Some companies mentioned it is hard to find people with good international marketing experience, and that negatively affects the possibility to overcome one of the main internal internalization barriers – marketing/ promotion in foreign markets.

**9 Conclusions on the main barriers for cross border co-operation**

First of all it should be stated that the existing barriers are not very high. However they are still having a negative impact thus should be removed to the largest possible extent.

As a first barrier or rather factor that is negatively influencing cross border co-operation is *lack of interest or motivation*. Many companies simply do not want to develop their activities to other even neighboring countries.

As second barrier mentioned by respondents in all countries and all groups of respondents was *lack of knowledge and competences* necessary for development of cross border activities.

Another barrier mentioned by respondents and also found in majority of secondary sources is *lack of information*. This is relevant both for information about the foreign markets as well as about the possible support available for international expansion. Information about the foreign markets includes also legislation, taxation and other issues where information is crucial.

Further on as a sufficient barrier for international expansion *lack of capacities* is mentioned. This is relevant both for production capacities as well as capacities necessary for marketing and promotion. From all respondents’ capacity issue as little less important was assessed by Estonian respondents. Capacity issue also as more serious barrier was described by representatives from newer and smaller companies.

*Lack of contacts and networking opportunities* are mentioned as barriers that are having a negative impact on international expansion.
Particular aspect mentioned by several respondents in relation to neighboring countries was *market size* that is too small to be attractive.

*Bureaucracy* is mentioned as an important obstacle for both international expansion and local development. Especially complicated the issue becomes in case some kind of support is involved from governmental institutions.

An interesting aspect mentioned by some respondents was *the free support* that is perceived with caution.

In spite of the fact that in all target countries there are attempts to establish one-stop-shop for supporting entrepreneurial activities majority of respondents claim that there is no one-stop-shop type of agency and consequently such should be established.

10 Recommendations for support development from the respondents

**Finland**

There are two aspects associated with the possible support directions to promote internationalization of SMEs. One aspect is related to the institutional framework providing support to SMEs and the other aspect is related to the thematic directions of support that would promote international cooperation of SMEs.

At first, as concluded by the representative of the Ministry of Employment and Economy the institutional framework in Finland is complex and not always clear for SMEs. There are different institutions involved in providing support that SMEs not always know precisely in which institutions to seek the support. The good aspect related to this issue is that there are certain attempts to simplify the institutional framework and to ensure the coordination among these institutions.

As regards the thematic directions of the support that would promote international cooperation of SMEs, they are mainly related to the barriers that obstruct SMEs for internationalization. Main fields of support directions can be as follows:

- **Non-financial support**:
  - To ensure creation of international networks or platforms of contacts for the benefit of SMEs to find business partners, distributors or wholesalers in foreign markets;
  - To boost the motivation and a courage of SMEs for the international cooperation;
  - To ensure or provide the information or external market research of the business environment in foreign countries, specifics of the tax system and legislation requirements;
  - To assist SMEs in developing export or business internationalization or strategies.

- **Life-long learning** to improve the knowledge and skills required for the globalization and international cooperation for entrepreneurs and their employees:
  - Foreign language (English, Russian, Chinese, Spanish etc.);
  - Cross – cultural differences;
- Business management in international environment;
- Management of international projects;
- Development of business internationalization strategies;
- Etc.

**Financial support for following fields, but not limited to:**
- For the external marketing and trade promotion;
- For the investments in order to increase production capacity to ensure the deliveries to foreign markets (excess production capacity);
- For improving the accessibility to working capital in order to produce in a higher capacity as well as to cover additional running costs for the transport and logistics, insurance, customs, the certification and others. This form of the support is of high importance for the small and medium sized companies;
- Financial instruments (e.g. export guarantees, insurance etc.) to minimize financial risks of foreign transitions and the market uncertainty.

**Other support** mainly is related to improving the border crossings between EU and Russia.

Summarizing the results of interviews, there are several good examples of what would be prior directions from the state to promote international cooperation.

Most mentioned expectation is to get assistance in the foreign market research. As one of the main obstacles for internationalization in the interviews with SMEs it was mentioned that they are not familiar with foreign market: customer habits, the legislation or other important information. Market research would also help to establish distribution channels, apply products/services for specific country standards (e.g. USA or China). SMEs are in need for help with market researches as in many cases they do not know the language of the country where they want to start the export (e.g. Russia or China).

**Sweden**

Situation in Sweden is described very similar like in Finland and majority of the bullet points could be repeated here in this chapter. In general there are many institutions providing support for development of the companies including internationalization. However the availability of information about support as well as access to it is being described as a problematic issue. Consequently it is suggested that more attention should be paid to provide information about support preferably in a form of one stop shop.

Support for companies in Sweden has been very wide and intensive. It is provided in a form of money for investments, market development, research, innovation etc., as well as in a form of soft support like information, market knowledge, networking etc. In spite of a long experience in supporting entrepreneurship evaluation of support measures is not very developed and does not provide a clear answer on the question about efficiency. Similar picture is provided by the respondents stating that the outcomes of the provided instruments are very different. Considering all mentioned above it can be stated that in the future more sophisticated information system for evaluation of support efficiency should be developed.

Monetary support for companies most often is provided for investments in
machinery and other “hard” equipment. This is explained by the need for control of the investments where the taxpayer’s money is spent. However that type of support will not provide the necessary improvements if it is not accompanied by soft investments for market research, HR development etc. Often companies are covering those costs from internal funds but more integrated support would be appreciated.

In a line with other countries respondents in Sweden clearly indicated that the best way to support companies for development and internationalization would be to provide tailored individual support for the companies.

Interestingly to note that many respondents expressed the opinion that amount of data requested from the companies to receive support is too large and should be decreased. However this contradicts the previous statement on information needs for analysis. Consequently additional research should be made in order to decide the optimal amount of information gathered.

One of the most important goals for supporting companies in Sweden is to create new jobs. This goal usually is achieved to the difference to other goals like profitability of the company where the impact is evaluated as more moderate. Another goal for the support is to achieve some positive regional impact which is not always achieved according to the plan. However the support most often is having a positive impact on local economies and smaller communities.

Estonia

Although international barriers will exist at any time, the barriers can be more or less difficult to break down. However, most of the barriers can be reduced with time. So the lack of time is probably one of the more crucial barriers. It means that for the companies already involved in international co-operation support is less important than for new companies. Some of respondents even stated that they do not need any special support for international co-operation. For newly established companies the situation is different and support for the international co-operation is much more important – mainly soft tools, and not for investments in tangible assets.

Particular soft tools that can be utilized are following:

- Active and regular organization of international exchange and networking programs that are prepared for well-defined target groups. This applies also to trade missions, exhibitions and other activities.

- Support for knowledge development in a form of mentoring and advisory should be developed with particular focus on:
  - market research;
  - partner search and networking;
  - supporting agreements and contracts.

- Marketing and promotion activities also should be supported, especially in a startup stage of development.

- Support for product development and prototyping should be developed for needs of companies.
• Embassies currently are not being very active in supporting new export activities and that should be improved. So far the main support activities have been provided for production. However the larger support should be provided for the growing international co-operation in service provision.

• Closer cooperation between similar state support institutions in Baltic States will provide opportunity for better risk evaluation of companies and will promote increasing of these companies outside the region.

During the interviews also some very general support needs were mentioned like education system should be more adapted and appropriate for entrepreneurial activities and in particular for international expansion.

Also some very detailed suggestions were expressed by a number of respondents:

• more flight and transportation options subsidized by the state are also mentioned as possible tools for support;
• lower interest rates are also mentioned as possible support tool that can be developed;
• support for networking and matchmaking;
• support for business planning and strategy development is of interest for smaller companies;
• certification and patenting support is interesting as well.

Even though there are some more alternatives for support development some common aspects should be mentioned. First of all it can be concluded that majority of respondents agree that that the most appropriate support would be individual one. It means that any support measure that is utilized should be tailored to the largest possible extent in order to ensure maximum result of the support measure.

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**Latvia**

Majority of the responses in Latvia are very similar to the ones mentioned before for Estonia. The needs for investments, development, and research (including market research) are the same in Latvia. The support system is perceived as quite complicated without a clear focus or even opportunities to receive the advice in a one stop shop format. It was also noted that such agencies should be provided locally in order to become more available for people outside capital and larger cities.

As a good attempt respondents evaluated available support from Latvian Development Agency namely the establishment of LIAA consultants abroad aiming to support international expansion of Latvian companies. The probable reason for dissatisfaction results is insufficient capacity of those consultants leading to inability to serve all the clients properly and thoroughly.

During the interviews many respondents expressed the opinion that support for small and innovative companies is insufficient and too much support is provided for larger companies.

Support for increased production capacity in Latvia was mentioned as an area where improvements are needed.

Available support for internationalization often is limited to promotion and networking activities abroad. However those activities are evaluated as insufficient if no support for capacity development (investments) as well more detailed support for export development (custom procedures etc)

As a positive and available support measure in Latvia Altum program was mentioned by company respondents. According to their opinion this has been a good support system with both monetary (grant, credit) as well as nonmonetary.
(education and training) support. However this program was more focused on companies developing their business in Latvia and not that much focused on exporting activities.

From the supporting institution perspective Latvian companies also would need support in development of marketing and sales skills. This includes development of self-confidence about abilities to export and develop international co-operation.

To the difference from other countries respondents in Latvia mentioned necessity to promote country brand in general as an indirect support instrument for increased international co-operation of Latvian companies.

Knowledge skills in Latvia usually are quite good which is said to be quite typical for small nation but additional support would be needed for improved abilities in cross cultural communication.

Even though there are some more alternatives for support development some common aspects should be mentioned. It can be concluded that majority of respondents agree that the most appropriate support would be individual one. It means that any support measure that is utilized should be tailored to the largest possible extent in order to ensure maximum result of the support measure.

11 Recommendations for support development from the study authors

In chapter above some general ideas on support activities are mentioned. However those should be linked to financial resources and instruments that can be synergized. At European level financial instruments defined to improve access to finance for SME are following178:

- High growth and innovative SME facility;
- SME guarantee facility;

The first one is aimed at providing high growth SME’s with risk capital for early stage as well as for the expansion stage. The second is aimed to support SME by lowering costs for borrowing as well as risk reduction. This includes loan guarantees, microcredit guarantee, equity and quasi-equity guarantees as well as securisation.

In line with general EU strategy some more detailed financial instruments can be suggested:

- Knowledge spillover facilitation and utilization instrument. Should be involved in identification of possible spillovers (knowledge, innovations, and products) from larger companies that are conducting extensive R&D but not always have a need to develop particular innovations not directly relevant for their main product range. Then financial support should be provided for small companies and research institution in order to develop

the product. Financial support later also can be applied in a form of venture capital.

**Country specific recommendations:**

In Finland and Sweden this instrument is present but should be developed and intensified. In Latvia and Estonia such an instrument is not utilized so far. Consequently in those countries the introduction of the instrument will be very beneficial. Especially if accompanied by structures that would enable cross border knowledge spillover developments.

- Financial instrument for goal oriented matchmaking. The instruments should be utilized to finance identification of partner criteria, partner search, partner evaluation, and contact establishment and co-operation development.

**Country specific recommendations:**

In general this instrument can be applied in all countries. However there are some specific aspects for possible directions:

- For Sweden possible partner search for export would be in Germany, Norway and USA. For supply possible partner search would be in India, China and in some cases (specific niche products) in Baltic countries.

- For Finland Russia is defined as an important partner both in terms of supply (raw material) and demand for Finnish products. Consequently partner search should be focused on this country. As a next Brazil should be in focus for provided support. However due to proximity and lower production costs Baltic countries are interesting as well.

- Financial support for development of virtual clusters. Especially for development of pilot projects for virtual clusters.

**Country specific recommendations:**

This instrument in general can be applied in all target countries. The main focus should be on defining and developing of clusters in areas that are defined as priorities for each country e.g. forestry in Latvia, pharmacy in Estonia, machinery in Sweden and education in Finland.

- Subsidies for temporary employment of appropriate experts necessary for cross border co-operation and expansion - support for mentoring programs on a basis of business motivation for mentors (like in case of a risk capital funds – fund provides financial and managerial support in export markets, mentors will provide only managerial support).

**Country specific recommendations:**

In Finland and Sweden mentoring programs already exist however most often the expert is being hired by so called consultancy check (konsult check). Subsidized employment currently is utilized at a very small scale and should be developed in the future.

In Estonia there are some mentoring programs available. So far they are more of general education type and therefore are not very efficient. More tailored program for subsidized employment of appropriate exporting
specialists should be developed.

In Latvia support for export is mainly focused on financial guaranties as well as marketing and promotion (trade fairs etc). Education and mentoring programs for exporting are at their initial stage of development. Consequently it can be suggested that subsidized export mentoring and employment programs are accompanied with some more general education and training efforts aimed at export and international co-operation competencies.

• Long term financial instrument for change of paradigm of nascent and new entrepreneurs from “being small” to “being international” in form of seminars, workshops and study visits. Increased support for service exporting activities. However in this segment market barriers are relatively higher than in other segments. Services are also expected to provide larger margins for the company.

Country specific recommendations:

Finland and Sweden are already more developed in this respect. In these countries larger amount of startup companies are initially aiming to develop international co-operation.

Estonia is currently still lagging behind however with a good perspective for catching up with Finland and Sweden. Born global philosophy is encouraged at the Universities and other educational institutions providing solid ground for positive attitude towards international expansion.

Latvian entrepreneurs so far have smallest motivation to expand their activities and grow internationally. Consequently the effort to change such an attitude should be sufficient. The easiest and most convenient way would be to facilitate participation of Latvian entrepreneurs in different events taking place in the neighboring countries like Estonia and Lithuania and also Finland and Sweden. Alternatively support should be provided for organizing in Latvia different trade fairs for representatives from East (Russia, Ukraine etc) and West (Sweden, Finland, Germany) where local entrepreneurs could participate in order to develop international experiences and competencies.
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Access to finance or available financial support for SMEs in target countries: Latvia, Estonia, Finland and Sweden

<table>
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<tr>
<th>Financial intermediaries</th>
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**ESTONIA**

EIB loans for SMEs can be used to finance all tangible and intangible investments.

The Risk Sharing Finance Facility targets primarily innovative mid-sized companies and can support research, development and innovation.

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<tr>
<th>Conor Venture Partners</th>
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**FINLAND**

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<td>NorthCap Partners</td>
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<td>End of investment period 30/6/2015</td>
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<td>InnKap</td>
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<td>Stage</td>
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<td>innventure Rahasto VET Ky</td>
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<td>Equity / VC</td>
<td>ICT sector</td>
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<td>EIF</td>
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<td>Equity / VC</td>
<td>Life sciences</td>
<td>EIF</td>
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<tr>
<td>Abingworth Bioventures 5</td>
<td>Europe</td>
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<td>&gt; 15.000,000 &lt; 70,000,000 Life sciences</td>
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<tr>
<td>Forbion Capital Partners</td>
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<td>EIF, CIP, National resources</td>
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</table>
Annex 2 to Research „Barriers for international cooperation for SMEs in Latvia, Estonia, Finland and Sweden”

Access to finance or available financial support for SMEs in competitive countries: Lithuania, Poland, Germany, Denmark and Norway

<table>
<thead>
<tr>
<th>Financial intermediaries</th>
<th>Region of activity</th>
<th>Type of finance</th>
<th>Amount of finance, EUR</th>
<th>Investment focus</th>
<th>Additional information</th>
<th>Source of finance</th>
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<tr>
<td>Šiaulių bankas</td>
<td></td>
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<td>&lt; 25.000</td>
<td>Start-up, Equity/venture capital, Early stage (seed and start-up)</td>
<td>Microloans (up to € 25 000), including for disadvantaged and underrepresented groups, for starting or developing a microenterprise (with less than 10 employees).</td>
<td>Progress Microfinance</td>
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<tr>
<td>AS Citadele Banka</td>
<td></td>
<td>Loan / Guarantee</td>
<td>&gt; 7.500.000</td>
<td>Research, development and innovation</td>
<td>The Risk Sharing Finance Facility targets primarily innovative mid-sized companies and can support research, development and innovation.</td>
<td>EIB, RSFF</td>
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<tr>
<td>AB DnB NORD</td>
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<td>Loan / Guarantee</td>
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<thead>
<tr>
<th>Bankas</th>
<th>Guarantee</th>
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<tr>
<td>Practica Capital</td>
<td>Equity / VC</td>
<td>Generalist</td>
<td>EIF</td>
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<tr>
<td>Darby Private Equity</td>
<td>Asia, Central &amp; Eastern Europe, Latin America</td>
<td>Equity / VC</td>
<td>EIF</td>
</tr>
<tr>
<td>Strata Mes Invest</td>
<td>Eastern Europe</td>
<td>Equity / VC &gt; 50.000 &lt; 400.000</td>
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<tr>
<td>East Accession BV</td>
<td>Equity / VC &gt; 3.000.000 &lt; 20.000.000</td>
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<td>EIF</td>
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<td>LitCapital Fund</td>
<td>Equity / VC &gt; 3.000.000 &lt; 20.000.000</td>
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<td>EIF</td>
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<td>Lithuania SME Fund</td>
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<td>EIF</td>
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<td>EIF</td>
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<tr>
<td>UAB LitCapital Asset Management</td>
<td>Equity / VC &gt; 570.000 &lt; 3.000.000</td>
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<td>EIF</td>
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<tr>
<td>Verslo Angelu Fondas I</td>
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<td>Generalist</td>
<td>EIF</td>
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<td>Baltcap Management</td>
<td>Equity / VC &gt; 300.000 &lt; 3.000.000</td>
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<td>Sector</td>
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<tr>
<td>Eqvitec Technology Fund</td>
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<td>HBM Partners</td>
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### POLAND

<table>
<thead>
<tr>
<th>Bank</th>
<th>Loan/Guarantee</th>
<th>Start-up, Equity/venture capital, Early stage (seed and start-up)</th>
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<tr>
<td>SG Equipment Leasing Polska SP Z.O.O.</td>
<td>Loan/Guarantee &lt; 25.000</td>
<td>Investment Loan - investment expenditure to create a new, modernise or expand an existing fixed asset. Auto Loan – credit for purchase of vehicles and other means of transportation for Small segment Clients.</td>
<td>CIP/EIB</td>
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<td>Bank BPH SA</td>
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<tr>
<td>Bank Gospodarstwa Krajowego (BGK)</td>
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<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
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<tr>
<td>Bank Ochrony Środowiska S.A.</td>
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<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
<td>EIB</td>
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<tr>
<td>Bank Pekao SA</td>
<td>Loan/Guarantee</td>
<td>Investment loans &amp; working capital loan for start ups</td>
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<table>
<thead>
<tr>
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<td>Loan/Guarantee</td>
<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
<td>EIB</td>
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<tr>
<td>BNP Paribas Bank Polska SA</td>
<td>Loan/Guarantee</td>
<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
<td>EIB</td>
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<td>BNP Paribas Lease Group Sp. z o.o.</td>
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<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
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<td>BRE Bank SA</td>
<td>Loan/Guarantee</td>
<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
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<tr>
<td>Centrala BNP Paribas Banku Polska SA</td>
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<td>Start-up, Equity/venture capital, Early stage (seed and start-up)</td>
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<tr>
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<td>EIB, RSFF</td>
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<td>Europejski Fundusz Leasingowy SA</td>
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<td><strong>Getin Noble Bank</strong></td>
<td><strong>Loan / Guarantee</strong></td>
<td><strong>&lt; 25.000</strong></td>
<td><strong>Start-up, Equity/venture capital, Early stage (seed and start-up)</strong></td>
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<tr>
<td><strong>Inicjatywa Mikro</strong></td>
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<td><strong>Kredyt Bank</strong></td>
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<td><strong>Start-up, Equity/venture capital, Early stage (seed and start-up)</strong></td>
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<td><strong>Nordea Bank Polska S.A.</strong></td>
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<td><strong>Start-up, Equity/venture capital, Early stage (seed and start-up)</strong></td>
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<tr>
<td><strong>PKO Bank Polski</strong></td>
<td><strong>Loan / Guarantee</strong></td>
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<td><strong>Start-up, Equity/venture capital, Early stage (seed and start-up)</strong></td>
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<tr>
<td><strong>POLFUND Fundusz Poręczeń Kredytowych</strong></td>
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<td><strong>&gt; 4.800&lt;br&gt;&lt; 720.000&lt;br&gt;&gt; 20,000 PLN</strong></td>
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<td>Loan/ Guarantee Amount</td>
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<tr>
<td>Polski Fundusz Gwarancyjny</td>
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<td>East Accession BV</td>
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<td>Equity / VC</td>
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<td>Central Europe</td>
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<td>Emerging Europe Accession Fund</td>
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<td>ARGUS Capital Partners II</td>
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<td>Arx Equity Partners Limited</td>
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<td>Mangrove Capital Partners</td>
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<td>HBM Partners</td>
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<td>EIF</td>
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**GERMANY**

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<tr>
<th>Bank/Financial Institution</th>
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<td>Bayerische Landesbank</td>
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<td>Bremer Landesbank</td>
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<td>DKB Deutsche Kreditbank AG</td>
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<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
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<td>Loan/Guarantee</td>
<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
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[185](http://europa.eu/youreurope/business/finance-support/access-to-finance/germany/index_en.htm)
<table>
<thead>
<tr>
<th>Institution</th>
<th>Guarantee</th>
<th>Loan Amount</th>
<th>Use of Funds</th>
<th>Remarks</th>
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<tr>
<td>EIB</td>
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<td>Research, development and innovation</td>
<td>The Risk Sharing Finance Facility targets primarily innovative mid-sized companies and can support research, development and innovation. EIB, RSFF</td>
</tr>
<tr>
<td>HELABA Landesbank Hessen-Thüringen Girozentrale</td>
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<td>HSH Nordbank AG</td>
<td>Loan / Guarantee</td>
<td>EIB loans for SMEs can be used to finance all tangible and intangible investments.</td>
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<tr>
<td>Investitionsbank Berlin (IBB)</td>
<td>Loan / Guarantee</td>
<td>&lt; 50.000</td>
<td>Start-up, Equity/venture capital, Early stage (seed and start-up), Research, development and innovation</td>
<td>Loans of up to EUR 50,000 to innovative SMEs, including start-ups for investments and working capital. CIP</td>
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<tr>
<td>KfW Bankengruppe</td>
<td>Loan / Guarantee</td>
<td>&lt; 100.000</td>
<td>Start-up, Equity/venture capital, Early stage (seed and start-up)</td>
<td>Loans of up to EUR 100,000 to start-ups, small enterprises and self-employed. CIP</td>
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<td>Loan/Guarantee</td>
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<td>Landesbank Baden-Württemberg</td>
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<tr>
<td>LfA Förderbank Bayern</td>
<td>Loan / Guarantee</td>
<td>CIP</td>
<td>Loans of up to EUR 1,000,000 to SMEs, including start-ups, under the LfA programme Universalkredit HaftungPlus; with a minimum maturity of 3 years and be granted for the purpose of financing of investments and/or working capital.</td>
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<tr>
<td>NRW.BANK</td>
<td>Loan / Guarantee</td>
<td>CIP</td>
<td>Loans of up to EUR 1,000,000 to SMEs, including freelancers with a minimum business history of 3 years, under the NRW.BANK programme: Mittelstandskredit – EIF – exemption from liability; with a minimum maturity of 5 years and a maximum maturity of 10 years and be granted for the purpose of financing of investments and/or working capital.</td>
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<tr>
<td>Partech International</td>
<td>Equity / VC</td>
<td>EIF</td>
<td>Generalist</td>
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<td>Baring European Private Equity Fund L.P.</td>
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<td>Region</td>
<td>Type</td>
<td>Investment Range</td>
<td>Expansion Stage</td>
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<td>Pinova Capital</td>
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<td>Expansion stage (growth), Generalist</td>
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<td>Generalist</td>
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<td>GMT Communication Partners</td>
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**DENMARK**

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<td><strong>Vækstkaution is a loan guarantee scheme aimed at SMEs within all business sectors. Vækstkaution guarantees are provided to creditworthy companies seeking loans with commercial banks or mortgage institutions. The target group consists of companies that are unable to</strong></td>
<td><strong>CIP</strong></td>
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[186](http://europa.eu/youreurope/business/finance-support/access-to-finance/denmark/index_en.htm)
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<td>The Risk Sharing Finance Facility targets primarily innovative mid-sized companies and can support research, development and innovation.</td>
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Research „Barriers for international cooperation for SMEs in Latvia, Estonia, Finland and Sweden” is developed within the frame of Central Baltic INTERREG IV A Programme 2007-2013 project ”Single CBR Home Market” (Home Market).

Research „Barriers for international cooperation for SMEs in Latvia, Estonia, Finland and Sweden” is developed by „Baltic Consulting” ltd, “Konsorts” ltd, Ventspils University College.