FOREIGN TRADE AND
EXPORT SUPPORT FROM
THE NOVGOROD REGION

Performance analysis and
recommendations
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<th>Description</th>
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<tbody>
<tr>
<td>ACITC</td>
<td>Association of Computer and Information Technology Companies</td>
</tr>
<tr>
<td>ASI</td>
<td>Agency for Strategic Initiatives</td>
</tr>
<tr>
<td>BREC</td>
<td>Business Russia Export Committee</td>
</tr>
<tr>
<td>BSO</td>
<td>Business Support Organization</td>
</tr>
<tr>
<td>Capex</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>CEPLA</td>
<td>National Committee of Economic Cooperation with Latin America</td>
</tr>
<tr>
<td>MSPCORP</td>
<td>Russian Small and Medium Business Corporation</td>
</tr>
<tr>
<td>EXIAR</td>
<td>Export Insurance Agency (REC Group)</td>
</tr>
<tr>
<td>FCS</td>
<td>Federal Customs Service</td>
</tr>
<tr>
<td>FRCC</td>
<td>French Russian Chamber of Commerce</td>
</tr>
<tr>
<td>FSTEC</td>
<td>Federal Service of Technical Export Control</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HP</td>
<td>High Priority</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technologies</td>
</tr>
<tr>
<td>IDF</td>
<td>Industrial Development Fund</td>
</tr>
<tr>
<td>MED</td>
<td>Ministry of Economic Development</td>
</tr>
<tr>
<td>MIC</td>
<td>Ministry of Industry and Commerce</td>
</tr>
<tr>
<td>NADT</td>
<td>National Association of Distant Trade</td>
</tr>
<tr>
<td>NCCI</td>
<td>Novgorod Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>NDE</td>
<td>Novgorod Development Agency</td>
</tr>
<tr>
<td>NESC</td>
<td>Novgorod Center for Export Support</td>
</tr>
<tr>
<td>NFSME</td>
<td>Novgorod Fund for SME Support</td>
</tr>
<tr>
<td>NMIP</td>
<td>Novgorod Ministry of Investment Policy</td>
</tr>
<tr>
<td>OAR</td>
<td>Union of Automotive Industry</td>
</tr>
<tr>
<td>OPORA</td>
<td>Russian Public Organization of Small and Medium Business</td>
</tr>
<tr>
<td>OPZT</td>
<td>Union of Railway Equipment Producers</td>
</tr>
<tr>
<td>RBCC</td>
<td>Russian Britain Chamber of Commerce</td>
</tr>
<tr>
<td>RCA</td>
<td>Revealed Comparative Advantage</td>
</tr>
<tr>
<td>RCCI</td>
<td>Russian Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>REC</td>
<td>Russian Export Center</td>
</tr>
<tr>
<td>RSPP</td>
<td>Russian Union of Industrialists and Entrepreneurs</td>
</tr>
<tr>
<td>RTED</td>
<td>Russian Trade and Economic Development Council</td>
</tr>
<tr>
<td>RVC</td>
<td>Russian Venture Corporation</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>RAVT</td>
<td>Russian Academy of Foreign Trade</td>
</tr>
<tr>
<td>UFP</td>
<td>Union of Fertilizer Producers</td>
</tr>
<tr>
<td>UWPF</td>
<td>Union of Wood Processors and Furniture Producers</td>
</tr>
<tr>
<td>VEB</td>
<td>VEB Bank</td>
</tr>
<tr>
<td>VTB</td>
<td>VTB Bank</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WC</td>
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1 EXECUTIVE SUMMARY

The following report is aimed at providing policymakers in the Government of the Novgorod region with practical analysis and recommendations to increase regional exports to foreign markets. The report was prepared by the World Bank, working closely with stakeholders in Novgorod from the public and private sectors and the institutions supporting exporters. The report is organized into three sections. Part 1 analyzes trends in external trade as well as the characteristics of exporting firms. Part 2 focuses on the institutions and mechanisms for export support in Novgorod including some common constraints facing exporters. Part 3 provides a comprehensive set of recommendations based on the analysis from Parts 1 and 2. The recommendations have been developed to be as actionable as possible for policymakers with the objective that they can be incorporated into relevant regional development and export support strategies.

Context

Increasing non-commodity exports is an important strategic goal of both the federal government and regional governments. The May (2018) Decree of President of Russia outlines targets for increasing exports measured in the share of exports in GDP (not less than 20%) and absolute non-commodity export value (US$ 250 billion p. a.) by 2024. National programs and export support agencies have been developed to implement this strategy. At the regional level, branches of the federal support agencies operate in collaboration with local institutions supporting exporters. In the Novgorod region, our analysis found 35 organizations engaged in supporting exporters in Novgorod, nine of which are analyzed in depth in the report. A few caveats should be mentioned in relation to the focus of this report:

- For the purposes of this report, we have looked at a subset of total trade, which includes only external exports of goods. We have also focused our analysis on the SME sector, defined in accordance with the Russian legislation. This is primarily a function of strategic focus and data availability. This should not be interpreted as a view on the relative lack of importance of domestic export or export of services; indeed, Novgorod has many advantages that would favor growth in tourism and other services.
- Export competitiveness is a function of fundamental competitive advantage at the sector or product level. While this is a rather uncontroversial observation, the implications are significant, implying that regions must balance their spending to boost exports with public investments that enhance fundamental competitiveness. It is also essential that export promotion activities be structured with the necessary KPIs and M&E framework to ensure resources are not spent in areas with little domestic or external competitiveness. A sector or value chain competitiveness assessment could be conducted separately to identify product markets where Novgorod has greater competitive potential.
- While strategically an important topic, SME exports constitute a small part of total economic activity in Novgorod with high vulnerability to external economic factors and high variability year to year. As a result, care must be taken in establishing meaningful KPIs and targets. Concepts such
as ‘regular exports’ that measure the sustainability of export activities among SMEs may be of more use than focusing only on annual targets. Similarly, many SMEs may have some exposure to foreign markets through their participation in global value chains (GVCs) or even as suppliers to large exporters.

**Recommendations**

A wide range of empirical research from the World Bank (WB), the International Trade Centre (ITC) and others has demonstrated that export promotion matters. When done well, export support programs are positively correlated with an increase in both the volume and diversity of exports. In 2010, using a large World Bank database, Lederman, Olarreaga and Payton concluded that export promotion agencies work well and have a sizeable impact on exports.\(^1\) Using the same database, a recent cross-country study published by ITC with updated information for 14 leading European trade and investment promotion agencies concluded that each dollar invested in trade promotion could potentially generate US$ 87 of additional exports and a US$ 384 increase in GDP.\(^2\) Firm-level data studies also suggest that export promotion agencies and export support programs have the potential to facilitate the diversification of exports both in terms of products and markets, particularly for SMEs.\(^3\)

However, the challenges are numerous for policymakers to achieve these results spanning both the design of specific financial and non-financial instruments as well as coordination of the institutional environment that delivers these services to businesses. The report contains a wide range of detailed recommendations based on international best practices (with several case studies provided in Section 4) addressing these challenges. Some key recommendations include the following:

- Most fundamentally, we recommend export support services shift from a generic model of providing a standard set of services to all potential clients toward a customized service model that tailors support to the needs of businesses, with the majority of resources devoted to providing customized services to high potential exporters. This would not negatively affect other exporters / potential exporters. As in the proposed model, they will receive the most appropriate support for them, which is generic support to increase export readiness. This has many implications for HR issues, CRM systems, KPIs, service delivery models, partnerships and more among export support agencies, and all these are explored in depth in the recommendations.

- We also make several recommendations related to the high-level KPIs and targets for export support in Novgorod, including a proposal to focus on firms that have exported sustainably over multiple years. Currently many firms, particularly SMEs, export for a single year, or perhaps two, but fail to establish a long-term market and cease exporting. While such opportunistic or

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experimental exporting is a positive sign, it is the long-term exporters who have the best potential to drive a real increase in the volume and diversity of exports.

- Finally, we recommend some additional steps to help ensure coordination among the institutions providing firm-level export support activities, particularly the Novgorod Export Support Center (NESC) and the Russian Export Center (REC).
2 EXTERNAL TRADE STRUCTURE, PATTERNS AND CONSTRAINTS

The objective of this chapter is to present the main characteristics and analyze the recent performance of the export sector in the Novgorod region. The analysis combines several methodological approaches and data sources. The assessment of aggregated export performance at the country and region level uses data from Rosstat for 2013-2017. The analysis of firm-level exporter characteristics and performance is based on customs transaction level data for 2012-2016. Interviews and focus groups were conducted to obtain a richer understanding of the context and constraints in specific sectors and to identify more targeted policy recommendations.

Novgorod’s exports rely heavily on fertilizers and wood-related products. There are few exporters outside these two sectors. The analysis also found large differences among exporters. Most exporters sell small amounts in foreign markets (less than US$ 100,000), are not well diversified (usually selling only one product to one or two countries), and account for less than ten percent of export value. Many of these small exporters stop exporting after a year or two and do not return to exporting. In fact, less than a quarter of small exporters are still exporting after five years. Large exporters, on the other hand, export several products to several markets, exhibit higher survival rates, and account for around eighty percent of export values.

2.1 General Export Trends at Country Level

The Russian economy returned to modest growth in 2017 supported by higher oil prices and macro stabilization⁴. Supported by growth in real wages, the ruble’s appreciation and increased consumer confidence were the main drivers of domestic demand growth in the first half of 2017, recovering from a significant contraction of 12.2% in 2014-2016 driven by the drastic terms-of-trade shock and by economic sanctions. Fixed capital investment also expanded as macro stabilization and a stronger ruble increased business confidence. Stronger momentum in global demand supported exports, but prominent increases in imports made the contribution of net exports to GDP growth negative in the first two quarters of the year. The growth composition in 2017 remains broadly similar to the pre-crisis one, driven mostly by mineral resource extraction and non-tradable sectors.

Exports of goods rebounded strongly in 2017 after a three-year decline. Total exports reached US$ 357 billion in 2017 registering a 25% increase on the back of strong performance in both fuel (27.3%) and non-fuel exports (21.8%). Despite this strong performance, the total export value in 2017 is still a third lower than the peak value reached in 2013 (US$ 525 billion). Between 2013 and 2016 total exports declined by almost half (-45.7%) mainly because of a 56% drop in fuel exports resulting from lower oil prices. Non-fuel exports also declined during this period (-19.7%) but did so by smaller margins (Error! Reference source not found.). Although the strong devaluation of the ruble in 2014-2015 was supposed to improve the price competitiveness of non-fuel exports, it is worth noting that the country was also facing other

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negative shocks (slower world demand, a domestic recession, and the effect of sanctions) during the same period which makes it harder to pinpoint the direct effects of any one individual variable in the overall export performance.

External trade in services declined for the second consecutive year and reached US$ 125 billion in 2016\(^5\). Both exports and imports of services declined for the second consecutive year with imports declining at a faster pace (33%) than exports (22%) during this period. Comparatively, the larger decline in services imports meant that the deficit in the balance of services declined by 35.5% to US$ 23.8 billion in 2016. Nevertheless, the country still had a negative trade balance in almost all service categories in 2016 (Error! Reference source not found.).

\(^5\) Central Bank of Russia, External trade in services, 2017
Service exports have traditionally been to non-CIS countries and were dominated in the transport, travel, and other business services categories. Transport (34%), travel (15%), and other business services (23%) account for about 70% of Russia’s service exports in 2016 – a percentage that has remained stable over the last three years. The geographical breakdown of Russia’s trade in services has traditionally been dominated by non-CIS countries (especially the EU and APEC members) which accounted for about 90% of services trade turnover for the past three years.

Exports of telecommunication, computer and information services increased for the third straight year and totaled US$ 4 billion in 2016 (Error! Reference source not found.). The main destination countries for these services included the United States (US$ 0.9 billion), the United Kingdom (US$ 0.4 billion), Germany (US$ 0.3 billion) and Cyprus (US$ 0.2 billion). In 2016, other business service exports contracted.
by 7.6% and reached US$ 11.7 billion with changes in their composition compared to the previous year: exports of personal, cultural and recreational services increased by 23.5% to US$ 0.4 billion, whereas services received by the residents decreased by 6.2% to US$ 1.0 billion.
General statistical information on the region and its economic and social development is attached to this report as a separate presentation. This presentation is an official view of the authorities (a passport of the region) available on the site of the government. Though the stats for the economy are presented up to 2017 only, the presentation provides sufficient background information for the report on the local economy, industrial and social background to plunge into the context of the region.

Exports recorded a modest increase in 2017 (2.8%) after sharp declines in 2015 (-19.7%) and 2016 (-9.8%). Total exports reached US$ 964 million in 2017 and despite growing in 2017 (2.8%) they are still 25% lower than in 2014 (Error! Reference source not found.). Export growth in 2017 was driven by rebounding fertilizer exports which in turn were due to higher international prices (Error! Reference source not found.). Non-fertilizer exports decreased for a third consecutive year in 2017 (-10.4%) and have lost almost a third of their value (-29.3%) since 2014. The continuing decline of Novgorod’s non-fertilizer exports is at odds with trends at the national level which saw a rebound of non-commodity exports in 2017. The stats for non-commodity exports of the region are, however, limitedly representative for the number of non-commodity non-fertilizer exporters is very limited. Therefore, individual companies’ performance has a strong impact on the overall picture that does not match the general country trend.

It is also important to note that the region is effectively close to being a mono-exporter with a single large company occupying 68% of total export values. The second line in the list is wood and wood articles (commodity and quasi-commodity type of exports) with 20% of the export value. The remaining 12%
representing slightly more than US$ 100 million in value is spread over a limited number of companies and sectors.

The volume statistics for the major exporter, Acron, demonstrates that despite the reducing monetary export values (due to lower prices for fertilizers) the volume of exports is increasing, which is advantageous from both the standpoints of international market positioning and local budgets with revenues converted into a weak domestic currency, following the sharp Ruble devaluation in 2014 (REER approach).

The evolution of Novgorod’s exports relies heavily on one firm whose performance is tied to international fertilizer prices. Acron, a vertically integrated fertilizer producer based in Novgorod, accounted for slightly more than two-thirds of exports and drove the performance of the region’s total exports in 2012-2016. The main products exported by Acron - ammonia, urea, ammonium nitrate, anhydrous ammonia (UAN), and complex mineral fertilizers (NPK) - are commodities whose prices are determined in international markets. These volatile international markets showed fertilizer prices dropping by almost half between 2012 and 2016 before posting a modest increase in 2017 (Error! Reference source not found.). Price dynamics strongly influenced Acron’s export performance: despite increasing the number of fertilizers exported by 26%, a decline of about 50% in the export price resulted in a decline of 10% in the value of exports for the firm between 2012 and 2016 (Error! Reference source not found.).
Novgorod’s fertilizers and wood-related exports account for ninety percent of total exports. The top three export sectors in Novgorod accounted for nearly 90.7% of exports in 2017. These are fertilizers (68.2%), wood and articles of wood (20.1%), and paper and paperboard (3%). No other sector accounted for more than US$ 10 million or more than one percent of total exports. Most export sectors have recorded large declines in terms of value between 2014 and 2017 with the exemption of machinery (1.1%) and glass products (1.7%). Some industries started to reverse the decline in export values by 2017 with fertilizers, wood, ceramic, fish and machinery industries recording positive growth for the first time in three years. However, other sectors like paper, copper, and footwear continued their decline in export values in 2017.

<table>
<thead>
<tr>
<th>Sector</th>
<th>US$ million</th>
<th>% of exports</th>
<th>Growth (%) 14-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizers</td>
<td>864 657</td>
<td>66.6 68.2</td>
<td>-23.9</td>
</tr>
<tr>
<td>Wood and articles of wood</td>
<td>199 194</td>
<td>15.4 20.1</td>
<td>-0.9</td>
</tr>
<tr>
<td>Paper and paperboard</td>
<td>39 23</td>
<td>3.0 2.4</td>
<td>-15.9</td>
</tr>
<tr>
<td>Ceramic products</td>
<td>15 9</td>
<td>1.2 0.9</td>
<td>-16.2</td>
</tr>
<tr>
<td>Copper and articles thereof</td>
<td>84 9</td>
<td>6.5 0.9</td>
<td>-53.5</td>
</tr>
<tr>
<td>Footwear, gaiters and the like</td>
<td>15 8</td>
<td>1.2 0.8</td>
<td>-20.0</td>
</tr>
<tr>
<td>Fish and crustaceans</td>
<td>9 7</td>
<td>0.7 0.7</td>
<td>-7.7</td>
</tr>
<tr>
<td>Machinery and mechanical appliances</td>
<td>6 6</td>
<td>0.5 0.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Glass and glassware</td>
<td>6 6</td>
<td>0.5 0.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Other sectors</td>
<td>58 45</td>
<td>4 5</td>
<td>-8.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1296 964</strong></td>
<td><strong>100 100.0</strong></td>
<td><strong>-9.4</strong></td>
</tr>
</tbody>
</table>

Table 1 Novgorod: Exports by Sector. Source: Authors’ elaboration with data from Rosstat.
Fertilizer and wood-related products dominate the list of top twenty export products in Novgorod. The top five export products in 2017 belong to the fertilizer sector and the next five products to wood-related sectors which speaks to the importance of these two industries in Novgorod’s export basket. In fact, only four of the top twenty export products do not belong to the fertilizers or wood industries: wire of refined copper (HS 740811), refractory bricks and ceramic goods (690220), Mats of irregularly laminated glass fibers (701931), and footwear (640399). The performance of these twenty products have been heterogeneous in the 2014-2017 period: exports for about half of these products grew between 2014 and 2017 while values declined less sharply than the regional average for the rest. As a result, the importance of these twenty products in Novgorod’s total exports increased from 80.4% to 92.1% between 2014 and 2017.

<table>
<thead>
<tr>
<th>HS6</th>
<th>Product Name</th>
<th>US$ million</th>
<th>% of exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>2017</td>
</tr>
<tr>
<td>310520</td>
<td>Mineral or chemical fertilizers (NPK)</td>
<td>358</td>
<td>257</td>
</tr>
<tr>
<td>310230</td>
<td>Ammonium nitrate</td>
<td>183</td>
<td>110</td>
</tr>
<tr>
<td>310280</td>
<td>Mixtures of urea and ammonium nitrate</td>
<td>210</td>
<td>107</td>
</tr>
<tr>
<td>281410</td>
<td>Anhydrous ammonia</td>
<td>43</td>
<td>91</td>
</tr>
<tr>
<td>310210</td>
<td>Urea</td>
<td>68</td>
<td>88</td>
</tr>
<tr>
<td>441233</td>
<td>Plywood</td>
<td>0</td>
<td>73</td>
</tr>
<tr>
<td>441011</td>
<td>Particle board of wood</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>440712</td>
<td>Coniferous forest products, sawn or split lengthways, &lt; 6 mm</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>440711</td>
<td>Coniferous forest products, sawn or split lengthways, other</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>481920</td>
<td>Folding cartons and boxes of non-corrugated paper or paperboard</td>
<td>35</td>
<td>21</td>
</tr>
<tr>
<td>740811</td>
<td>Wire of refined copper</td>
<td>84</td>
<td>8</td>
</tr>
<tr>
<td>440910</td>
<td>Coniferous wood, incl. Strips and friezes for parquet flooring</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>440131</td>
<td>Wood pellets</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>690220</td>
<td>Refractory bricks, blocks and similar refractory ceramic goods</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>390910</td>
<td>Urea resins in primary forms</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>701931</td>
<td>Mats of irregularly laminated glass fibers</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>440395</td>
<td>Wood; of birch (Betula spp.), in the rough, untreated</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>640399</td>
<td>Footwear with outer soles of rubber or leather</td>
<td>9</td>
<td>5</td>
</tr>
</tbody>
</table>
There are some stark differences in the list of most important destinations when comparing non-fertilizer exports and total exports. Error! Reference source not found. presents the most important market destinations for total (top panel) and non-fertilizer exports (bottom panel) and shows that although some countries belong in the list of top ten destinations, the top ten most important countries for each type of product are basically different. For instance, the top five destination countries for total exports are China (23.5%), Brazil (17.1%), United States (11.7%), Sweden (9.6%) and Finland (7.9%) which together accounted for approximately two-thirds of total exports in 2017. For non-fertilizer exports, the list of top five countries includes Sweden (23.3%), Finland (27%), Belarus (9.2%), Kazakhstan (6.3%) and Poland (4.9%). It is worth noting that the six European countries in this list (Sweden, Finland, Poland, Estonia, Lithuania, and Germany) account for more than half of non-fertilizer exports from Novgorod.

<table>
<thead>
<tr>
<th>Total Exports</th>
<th>US$ million</th>
<th>% of exports</th>
<th>growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2017</td>
<td>2014</td>
</tr>
<tr>
<td>China</td>
<td>200</td>
<td>227</td>
<td>15.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>176</td>
<td>165</td>
<td>13.6</td>
</tr>
<tr>
<td>United States</td>
<td>215</td>
<td>113</td>
<td>16.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>46</td>
<td>93</td>
<td>3.5</td>
</tr>
<tr>
<td>Finland</td>
<td>100</td>
<td>76</td>
<td>7.7</td>
</tr>
<tr>
<td>Belarus</td>
<td>45</td>
<td>37</td>
<td>3.4</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>47</td>
<td>25</td>
<td>3.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>102</td>
<td>24</td>
<td>7.8</td>
</tr>
<tr>
<td>Peru</td>
<td>42</td>
<td>20</td>
<td>3.2</td>
</tr>
<tr>
<td>Poland</td>
<td>6</td>
<td>19</td>
<td>0.4</td>
</tr>
</tbody>
</table>
### Non-fertilizer exports

<table>
<thead>
<tr>
<th>Country</th>
<th>US$ million</th>
<th>% of exports</th>
<th>growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2017</td>
<td>2014</td>
</tr>
<tr>
<td>Sweden</td>
<td>46</td>
<td>93</td>
<td>9.6</td>
</tr>
<tr>
<td>Finland</td>
<td>89</td>
<td>68</td>
<td>18.6</td>
</tr>
<tr>
<td>Belarus</td>
<td>45</td>
<td>37</td>
<td>9.4</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>47</td>
<td>25</td>
<td>9.9</td>
</tr>
<tr>
<td>Poland</td>
<td>6</td>
<td>19</td>
<td>1.2</td>
</tr>
<tr>
<td>China</td>
<td>4</td>
<td>17</td>
<td>0.7</td>
</tr>
<tr>
<td>Estonia</td>
<td>33</td>
<td>17</td>
<td>7.0</td>
</tr>
<tr>
<td>Ukraine</td>
<td>28</td>
<td>14</td>
<td>5.9</td>
</tr>
<tr>
<td>Lithuania</td>
<td>9</td>
<td>13</td>
<td>1.9</td>
</tr>
<tr>
<td>Germany</td>
<td>28</td>
<td>13</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Table 3 Novgorod: Top Export Destinations in 2017. Source: Authors’ elaboration with data from Rosstat

---

### 2.3 Main Characteristics of Exporters in the Novgorod region

**Most exporters sell relatively small amounts in export markets.** Figure 13 shows that, on average, during the period 2012-2016, 95% of exporters sold less than US$ 100,000 abroad, four percent of exporters sold between US$ 100,000 and US$ 1 million, and less than one percent sold more than US$ 1 million.

**A small number of firms account for the majority of export value.** Total exports are driven by a small number of exporters that sell over US$ 1 million overseas. Figure 14 shows that large exporters were responsible for 80% of exports on average over the last five years. Even though the importance of large exporters in total export value declined from 85% to 72% between 2012 and 2016, these large exporters still drive export growth in Novgorod. The presence of these “export superstars” has also been observed in other major economies like China, the United States and Germany, where the share of exports accounted for by the top five percent of exporters reach 71%, 93%, and 86%, respectively.6

6 Data on China comes from Manova and Zhang (2009), data on the US from Bernard et, al (2012), and on Germany from Wagner (2012).
Most exporters stop exporting shortly after entering foreign markets. Figure 15 shows that the probability of a new exporter in Novgorod to continue exporting after the first year in foreign markets is 75% and that this probability declines to 45% by the fifth year. In other words, within 5 years of exporting in foreign markets, more than half of the firms stop exporting overseas. Despite exiting export markets, most firms continue selling in the domestic market; therefore, firm closure is not the reason behind the low survival rates in export markets.

Smaller exporters face a higher probability of discontinuing exporting but the probability of exiting from exporting significantly decreases as export duration increases, implying that a firm’s export experience influences their survival. Figure 16 shows that only one in four small exporters continue exporting until the end of the fifth year, while half of the medium size exporters and three-quarters of large exporters continue to do so until the end of the same period. The costs of maintaining a client network are expected to fall as firms become more experienced in export markets because such experience is more likely to help firms to become better at forecasting foreign demand, this also allows them to find better and more reliable foreign partners. By improving through increased export experience, the uncertainty associated with future sales, transaction partners, and contract forms decreases, resulting in a decline in fixed costs as exporters accumulate more experience in export markets. This effect of export experience is likely to lead to higher survival rates in export markets.
There are many possible explanations for the low export survival rates of small exporters. A recent study by Eaton et. al (2014) provides evidence that surviving in a foreign market requires continuous search efforts for new clients. Thus, when exporters run into difficulties when trying to increase their customer base, many decide to stop exporting voluntarily. Other studies provide evidence that exporting is an opportunistic and sporadic activity for some firms – especially SMEs – rather than a continuous and proactive process. Recent analysis suggests that firms engage in this type of opportunistic exporting quite frequently in the United Kingdom (Love and Ganotakis 2013), Italy (Bonaccorsi 1992), Colombia (Eaton et al. 2008), and Chile (Blum et al 2013).

Exporting does not make up the primary source of revenues for the majority of exporters which are instead more focused on the domestic market. Error! Reference source not found. shows that exports account for less than a quarter of total revenues for exporters whose domestic sales are available⁷.

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⁷ Data on domestic sales is available for 95 of 216 firms that exported at some point during 2012-2016.
The largest number of exporters comes from the wood and wholesale sectors. Error! Reference source not found. shows the number of exporters according to their main industry as classified by INTEGRUM. Outside of wood (30) and wholesale (14), few sectors have more than two or three registered exporters as of 2017: machinery and equipment (5), food products (4), non-metallic minerals (4), and electrical equipment (4).

<table>
<thead>
<tr>
<th>OKVED 2</th>
<th>Domestic industry</th>
<th># exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2, 16, 17</td>
<td>Logging, wood, and paper</td>
<td>30</td>
</tr>
<tr>
<td>46</td>
<td>Wholesale</td>
<td>14</td>
</tr>
<tr>
<td>28</td>
<td>Machinery and equipment</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>Food products</td>
<td>4</td>
</tr>
<tr>
<td>23</td>
<td>Non-metallic minerals</td>
<td>4</td>
</tr>
<tr>
<td>27</td>
<td>Electrical equipment</td>
<td>4</td>
</tr>
<tr>
<td>22</td>
<td>Rubber and plastic</td>
<td>3</td>
</tr>
<tr>
<td>25</td>
<td>Fabricated metal products</td>
<td>3</td>
</tr>
<tr>
<td>20</td>
<td>Chemicals</td>
<td>2</td>
</tr>
<tr>
<td>31</td>
<td>Furniture</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>Beverages</td>
<td>1</td>
</tr>
</tbody>
</table>
The majority of exporters have only a handful of export destinations with only a few firms being able to reach a significantly larger number of export markets. Error! Reference source not found. shows the share of exporters according to how many destinations they reach in any given year. More than half of exporters reach only one country with their exports and almost 80% only reach up to three export destinations. On the other hand, less than 5% of exporters manage to reach more than ten export destinations.

Figure 18 Share of exporters by number of export destinations. Source: Authors’ elaboration using customs data

### 2.4 Typology of Exporters in the Novgorod Region

A review of the main practices of export promotion agencies (Volpe Martincus, 2010) found that most export promotion agencies segmented clients by three or four key firm characteristics: size, export experience, market geography, and sector. In practice, all surveyed export promotion agencies assisted companies belonging to the whole spectrum of the export experience (i.e., non-exporters, potential exporters, exporters with limited experience, and experienced exporters). Nevertheless, organizations, in
general, prioritize small and medium-sized firms following the belief that they are more likely to be affected by informational and other trade barriers. Moreover, virtually all agencies, although to different extents, perform geographical and/or sectorial targeting and even certain combinations of both, i.e., specific sectors in particular destination countries.

Based on the characteristics described in the previous section we classified exporters into four different groups that take into account their different sizes, exporting experience, sectors, market diversification and export orientation (Error! Reference source not found.). This classification can be used by the Novgorod Government to segment its export clients and use for further consideration while setting up their export support programs and infrastructure. In the end, the selection of a segmentation approach will depend on the government’s strategic priorities, resources, and the availability of data to classify firms into different segments.
<table>
<thead>
<tr>
<th>Export size</th>
<th># firms</th>
<th>Domestic sales size (SME definition)</th>
<th>Exporting experience</th>
<th>Sectors</th>
<th>Country diversification</th>
<th>Export orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large (&gt; US$ 10 million)</td>
<td>8</td>
<td>Large, some medium</td>
<td>All continuous</td>
<td>Wood: 6</td>
<td>1-3 mkts: 1</td>
<td>Q4 (75-100%): 6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Large: 6</td>
<td>(exported all 5 years in the dataset or started exporting and never stopped)</td>
<td>Chemicals: 1</td>
<td>10+ mkts: 7</td>
<td>Q3 (50-75%): 0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium: 2</td>
<td></td>
<td>Steel recycling: 1</td>
<td></td>
<td>Q2 (25-50%): 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Q1 (1-25%): 1</td>
</tr>
<tr>
<td>Medium (US$ 1-10 million)</td>
<td>15</td>
<td>Mostly small</td>
<td>All continuous</td>
<td>Wood: 7</td>
<td>1-3 mkts: 7</td>
<td>Q4 (75-100%): 5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small: 11</td>
<td></td>
<td>Food: 3</td>
<td>4-9 mkts: 4</td>
<td>Q3 (50-75%): 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Large: 3</td>
<td></td>
<td>Furniture: 2</td>
<td>10+ mkts: 4</td>
<td>Q2 (25-50%): 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Micro: 1</td>
<td></td>
<td>Non-metallic minerals: 1</td>
<td></td>
<td>Q1 (1-25%): 5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(proppants?)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Other: 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small (US$ 100,000 – 1 million)</td>
<td>27</td>
<td>Mostly micro &amp; small</td>
<td>Mostly continuous, only 4 intermittent</td>
<td>Wood: 8</td>
<td>1-3 mkts: 19</td>
<td>Q4 (75-100%): 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Micro: 14</td>
<td></td>
<td>Wholesale: 6</td>
<td>4-9 mkts: 8</td>
<td>Q3 (50-75%): 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small: 11</td>
<td></td>
<td>Electrical equipment: 3</td>
<td></td>
<td>Q2 (25-50%): 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Large: 1</td>
<td></td>
<td></td>
<td></td>
<td>Q1 (1-25%): 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium: 1</td>
<td></td>
<td>Other (all 1): 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Type</td>
<td>Description</td>
<td>Markets</td>
<td>Quarterly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------</td>
<td>---------------------------------</td>
<td>---------</td>
<td>-----------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro (&lt; US$ 100,000)</td>
<td>Mostly micro</td>
<td>Mostly intermittent, new, or one-time</td>
<td>1-3 mkts: 61</td>
<td>Q4 (75-100%): 6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro: 31</td>
<td>Wholesale: 12</td>
<td></td>
<td>4-9 mkts: 1</td>
<td>Q3 (50-75%): 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small: 12</td>
<td>Machinery and equipment: 8</td>
<td></td>
<td></td>
<td>Q2 (25-50%): 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large: 1</td>
<td>Other (max 2): 14</td>
<td></td>
<td></td>
<td>Q1 (1-25%): 31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium: 1</td>
<td>N.A.: 10</td>
<td></td>
<td></td>
<td>N.A.: 17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.A.: 17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 Typology of a Novgorod Exporter
3 SECTORIAL COMPETITIVE ADVANTAGES OF THE NOVGOROD REGION

This section provides a brief review of the region’s sectoral advantages as an integral part of client segmentation for export support procedures. The review comprises three major parts:

- **Overview of the data received from the Government of Novgorod on the prospects for development of the region.**
- **Overview of federal sectoral priorities.**
- **Comparative analysis of the above information.**

**Regional Government data**

The Government of Novgorod provided information on the potential for future development of the region. The report concentrates on the selection of sectors with the highest prospects for development.

The selection is made in the following 6 stages:

1. A SWOT analysis of the region, which shows that the key constraint is the lack of a qualified labor force.
2. Generation of ideas tied in to the knowledge and experience of the regional management.
3. Selection of ideas based on the following three criteria applied to projects:
   a. Scalability in the region (threshold of potential revenues).
   b. Sustainability (capability of long-term sustainable operation and availability of resources).
   c. Quick wins (time required for implementation, the threshold of a 5-year term).
4. Reconciliation of the selected ideas with the SWOT matrix.
5. Further selection based on social impact for the region and regional development indicators (workplaces, taxes, etc.).
6. Linkage of the final list to the exact territories of the region.

For the projects, they were divided into a list displaying key propositions for development, key constraints and risks and a brief action plan. The process of selection is detailed in the presentation.

The list of selected top ten projects contains:

- Tourism (services)
- Flax and Cotinine (textile industry)
- Proppants (chemical industry)
- Meat processing and dairy cluster (food processing)
- Fertilizers (chemical industry)
- Growing and processing of Cranberries and Blackberries (forest resources processing)
- Data centers (ICT services)
- Peat (extraction and mining)
- Wood processing and furniture (wood processing industry)
- Technological cluster: new aviation, 3D printing (high-tech production)

**Federal sectorial priorities**

In 2017, the Government of the Russian Federation declared a list of priority sectors to be supported by both special programs and cross-functionality in the ordinary course of operations of public organizations (http://government.ru/projects/selection/651/28428/). The list comprises the following sectors and industries:

**Industries:**
- Civil engineering, metal processing, the chemical industry, pharmaceuticals (APIs and RTU products), the medical industry, the textile industry, agriculture, and forest resources processing.

**Services:**
- Tourism, education, healthcare, engineering, civil construction, ICT, repairs and maintenance.

**Comparative analysis and conclusions**

It is important to note that the analysis by the Government displays a development potential for sectors which is not by default identical to their export potential. However, recent experience of many support initiatives as well as WB studies demonstrates that there is a strong correlation between overall development in the sector and export potential of the sector. Under normal circumstances in a majority of cases, sectors that have developed successfully start to export as a continuation of their development strategy.

There are some sectors mainly related to high-tech products and internet-based technologies that are global by their nature and may develop abroad regardless of domestic representation. In some cases, the current adverse external business environment of Russia may even provide benefits for local companies against the presence of foreign competitors. However, for a clear majority of more traditional industrial and service sectors, successful local development is a precondition for tangible exports. Successful companies decide upon carrying the burden of exports to spur saturating consumption, build the business into global value chains and further expand into new markets. During this rollout, the local performance provides funds and leverage to finance sustainable exports.

In summary, for most traditional sectors of the economy it is a reasonably good approximation to consider the domestic potential of development as a good precondition for parallel or further export potential.

<table>
<thead>
<tr>
<th>Prospective sectors indicated by regional Government</th>
<th>Federal priority sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aligned Sectors</strong></td>
<td></td>
</tr>
<tr>
<td>Chemical industry</td>
<td></td>
</tr>
<tr>
<td>Textile industry</td>
<td></td>
</tr>
<tr>
<td>Forest resources processing</td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td></td>
</tr>
<tr>
<td>ICT services</td>
<td></td>
</tr>
<tr>
<td>Misaligned Sectors</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td></td>
</tr>
<tr>
<td>Food processing (meat</td>
<td></td>
</tr>
<tr>
<td>processing and dairy cluster)</td>
<td>Civil engineering</td>
</tr>
<tr>
<td>Extraction and mining</td>
<td></td>
</tr>
<tr>
<td>(peat)</td>
<td>Metal processing</td>
</tr>
<tr>
<td>Wood processing and</td>
<td></td>
</tr>
<tr>
<td>furniture</td>
<td>Pharmaceuticals</td>
</tr>
<tr>
<td>High-tech production</td>
<td></td>
</tr>
<tr>
<td>(technological cluster: new</td>
<td></td>
</tr>
<tr>
<td>aviation, 3D printing)</td>
<td>Medical Industry</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Education</td>
</tr>
<tr>
<td>Healthcare</td>
<td>Engineering services</td>
</tr>
<tr>
<td>Civil construction</td>
<td></td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td></td>
</tr>
</tbody>
</table>

- The sectors reported by the regional Government demonstrate a reasonable partial match to the priorities set forth at the federal level (aligned sectors). The regional authorities may take advantage of those aligned sectors by leveraging federal support facilities for both export-oriented and non-oriented cases.

- Given recent other WB research, some of the aligned industries, including the servicing sectors of tourism and ICT, generally may have good export potential. However, this statement does require more extended research for the case of the Novgorod region.

- Potentially prospective misaligned sectors indicated by the regional Government may still be attractive for the region based on local advantages. The bank does assume that these sectors were studied in detail at the time of the research. Their export potential in the Novgorod region does, however, require more investigation.

- It is additionally recommended to look at the misaligned sectors on the side of the federal priorities as these sectors may bring additional benefits by leveraging state support facilities.

It is worth noting that a more comprehensive industry RCA analysis is possible (based on a detailed review of regional industry status, availability of resources, domestic and international ratings, export potential, etc.); however, this goes beyond the scope of this report.

4 EXPORT SUPPORT SYSTEM OF THE NOVGOROD REGION

4.1 Introduction

There is a wide range of research and studies that have demonstrated export promotion agencies and export support programs not only help increase and diversify exports but also positively impact GDP.
Research by the World Bank (WB), the International Trade Centre (ITC) and others has provided significant empirical support for the case of export promotion. In 2010, using a large World Bank database, Lederman, Olarreaga and Payton concluded that export promotion agencies work and have a sizeable impact on exports. Using the same database, a 2016 cross-country study published by the ITC with updated information for 14 leading European trade and investment promotion agencies concludes that each dollar invested in trade promotion could potentially generate US$ 87 of additional exports and US$ 384 increase in GDP. Studies using firm-level data also suggest that export promotion agencies and export support programs not only have the potential to expand GDP and exports, but also to facilitate the diversification of exports both in terms of products and markets, particularly for SMEs.

Those studies and empirical evidence gathered from working with a large number of trade promotion agencies, point to some policy conditions that contribute to better outcomes, including:

- **Macroeconomic coherence and a favorable business environment**, as pre-requisites that determine the success of trade promotion efforts;
- **Private sector representation in the governance of trade promotion agencies**, which favor more focused strategies and higher efficiency of export promotion support;
- **Strategic focus** on a well-defined group of client segments and on a limited number of client markets;
- **Charging fees** for at least some services, as it keeps agencies more client focused and productive; and
- **Focusing on export-ready firms**, as it accelerates export growth.

Those principles show that the level of impact of trade promotion ultimately depends on the quality and performance of the trade promotion agencies themselves; the quality and coherence of the whole system of support, including macroeconomic conditions; and the efficiency in the use of limited resources to avoid unnecessary duplication and gaps in the support system. This report takes due consideration of these important factors.

As the analysis continues throughout this report, it is important to take note that the main objectives of this report are to understand the gaps and weaknesses in the existing business support system in general and in the export support system in particular; and to prepare a proposal on the support services that the Government of the Novgorod region could provide to facilitate the elimination of export constraints and promote regional exports in key export support priorities areas, especially for priority beneficiary company segments.

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This report includes an analysis of the functions and services provided by key export support organizations active in the Novgorod region; the identification of gaps and weaknesses in the existing export support system; proposals on the approaches to segmentation of beneficiary companies; description of international best practices in export support; and proposals on support services that could be provided by the Novgorod export support infrastructure.

This report starts with a description of the sources of information and the methodology used to undertake this study followed by an analysis of 35 Business Support Organizations (BSOs) that aid businesses both at federal and regional level, with a closer look at a subgroup of key organizations active in Novgorod that provide export and investment support services. The analysis identifies a number of key features of the overall support system, in particular with the institutions that provide export assistance to businesses. In terms of the suite of services available to businesses in Novgorod in relation to international best practices, the identification of strengths, weaknesses, duplications and gaps allows the report to conclude with a set of recommendations to improve the support system enabling an increase in the number of exporters and volume of exports in Novgorod, especially among small and medium enterprises (SMEs).
4.2 Structure of information and methodology

Export support activities of the public sector are varied. They include a wide range of institutions and instruments targeted toward improving exports and/or export potential. This is done either directly at the company level or indirectly by supporting sector or economy-wide business activities aimed at improving the business environment. In order to be successful and sustainable, an export support program needs to take into consideration a range of issues. Among them, there are issues related to the exporter country, partner country, and overall macro conditions.

<table>
<thead>
<tr>
<th>Internal factors</th>
<th>External factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• General political, economic and social environment.</td>
<td>• General political, economic and social environment of the partner country.</td>
</tr>
<tr>
<td>• Level of innovative development, installed base of equipment and technologies.</td>
<td>• Status of political and economic relationships with the partner country.</td>
</tr>
<tr>
<td>• Scale and sectorial structure of industries.</td>
<td>• Level of innovative development, installed base of equipment and technologies in the partner country.</td>
</tr>
<tr>
<td>• Scientific and technical, R&amp;D potential.</td>
<td>• Status and structure of labor force.</td>
</tr>
<tr>
<td>• Status of natural resources.</td>
<td>• Volume and dynamics of internal production, demand and consumption.</td>
</tr>
<tr>
<td>• Climatic conditions.</td>
<td>• Status of the payment balance of the partner country.</td>
</tr>
<tr>
<td>• Balance of internal production and consumption.</td>
<td>• Complementarity of economies with the partner country.</td>
</tr>
<tr>
<td>• Status of financial markets.</td>
<td>• Status of law and regulations of foreign trade activities with consideration of international laws and treaties.</td>
</tr>
<tr>
<td>• Rate of national currency.</td>
<td></td>
</tr>
<tr>
<td>• Availability of internal capital resources, their cost and condition.</td>
<td></td>
</tr>
<tr>
<td>• Investment climate.</td>
<td></td>
</tr>
<tr>
<td>• Amount and structure of labor force.</td>
<td></td>
</tr>
<tr>
<td>• Structure of internal demand.</td>
<td></td>
</tr>
</tbody>
</table>

Table 6 Landscape of considerations for export support

A comprehensive export support system consists of both financial and non-financial tools modeled on internationally proven practices. A basic typology of generally accepted tools and their classification is shown in Figure 19.

It is important to note that, particularly for the purpose of this research, a stricter approach to the definition of financial support instruments is chosen. Namely, financial support tools include only those that result in significant expenditures of funds comparable with the scale of operation of a business, such as export credits, subsidies for interest rates, grants, insurances, guarantees, investments in R&D, etc. Other instruments, such as financing for marketing, events, logistics compensations, etc. are considered as non-financial support.
The ecosystem is additionally subdivided into federal and regional levels, whereby the federal BSOs render support in a wider and more generic manner at a national level to companies from all regions while regional BSOs are more focused on providing more customized services to companies from their region.

The methodology of the research comprises the following main steps:

1. *Desk research of available information for the ecosystem of public institutions and organizations as well as private companies involved in financial, export and/or investment support for business.*

The total number of organizations and companies in this ecosystem numbers in the hundreds with great variance in size, mandate, and resources. Given this broad ecosystem, the team has opted to focus less on organizations that are only indirectly involved in export support such as national chambers of commerce, sectoral associations, sectoral unions, general public organizations, commercial mediators, banks, etc. The conclusions of the report for these indirect support entities are not to be interpreted in an absolute quantitative manner as this part of the network is dynamic; it has engagements beyond export support services and is on purpose presented incompletely in this report. The analysis is intended to provide a general perception of the spectrum and functionality of indirectly involved participants. The
practical selection of representing organizations in this part was based on additional criteria, such as for instance, media activity and/or private sector’s recognition at the time of the analysis.

2. To make the task practical, the target list was further narrowed to 35 national and regional BSOs\(^\text{12}\) including all major BSOs involved in direct and indirect export support activities for the Novgorod region.

The first analysis of the list of 35 BSOs looks at the main target beneficiaries of the organizations and their relative prioritization of the six statutory functions most normally covered in trade and investment support activities. The six key functions and the main categories of services that are considered are presented below in Table 7.

<table>
<thead>
<tr>
<th>Policy and Advocacy</th>
<th>Trade Intelligence</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Policy evaluation and development</td>
<td>• Market information and market analysis</td>
</tr>
<tr>
<td>• Lobby for business conditions, regulations or infrastructure</td>
<td>• Business contacts</td>
</tr>
<tr>
<td>• Legal support and arbitration</td>
<td>• Business opportunities</td>
</tr>
<tr>
<td>• Public-private dialogue</td>
<td>• Advice on business regulations, logistics, transport, export procedures and</td>
</tr>
<tr>
<td></td>
<td>documentation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Export Development</th>
<th>Export Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assessment of export readiness</td>
<td>• Events (fairs, exhibitions)</td>
</tr>
<tr>
<td>• Training for export activities</td>
<td>• Customized export promotion support to clients</td>
</tr>
<tr>
<td>• Customized assessment or advice for export readiness and competitiveness</td>
<td>• Other promotional activities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Promotion</th>
<th>Financial Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Country branding</td>
<td>• Loans, letters of credit, factoring, etc.</td>
</tr>
<tr>
<td>• Organization of FDI promotional events and communication</td>
<td>• Credit Guarantees</td>
</tr>
<tr>
<td>• Identification and dissemination of inward investment opportunities</td>
<td>• Credit insurance</td>
</tr>
<tr>
<td>• Guidance and support for foreign investors (including “aftercare”)</td>
<td></td>
</tr>
<tr>
<td>• Guidance and support to invest abroad</td>
<td></td>
</tr>
</tbody>
</table>

Table 7 BSOs’ statutory functions and main related services

3. The next step was to select an additional subset of organizations for more detailed analysis. The selection includes federal organizations, that are active throughout the Russian Federation, and key Novgorod regional organizations that focus more on export support services and/or are mostly centered on supporting SMEs. The selection of the most representative federal BSOs for this more detailed analysis was intended to provide coverage of institutions’ classes and different types of public support available.

\(^\text{12}\) All acronyms used in the report are spelled out in the glossary at the beginning of the report.
A total of 9 organizations were selected for further analysis which included additional data collection and profiling:

- Novgorod Chamber of Commerce (NCCI)
- Novgorod Center for Export Support (NESC)
- Novgorod Ministry of Investment Policy (NMIP)
- MSP Corporation (MSPCORP)
- Opora of Russia (OPORA)
- Russian Export Center (REC)
- Russian Trade and Economic Development Council (RTEDC)
- Russian-British Chamber of Commerce (RBCC)
- Russian Venture Corporation (RVC)

The interviews covered basic information to profile the institutions and their suite of services as well as key indicators of performance. The structure of the profiles and the model of analysis were specifically developed for this project considering the most common statutory functions and services delivered by trade and investment promotion agencies around the world.

Most of the other 26 organizations that were not interviewed do not seem to give priority to supporting export and SMEs; they seem to be financial institutions concentrated mainly on financial support; and/or are mostly centered on investment related support activities.

4. Data and qualitative feedback were vetted to ensure quality. It is important to note that the information included in this report is based on the respective organization’s publications or, in case of those BSOs that were interviewed, on the organizations’ own descriptions of their practices. A review of the initial data collection found some contradictions that the team had to resolve:

- During interviews, BSOs tend to over-estimate their performance when compared to other sources of information, for instance, published annual reports or information on reputable web sites;

- In addition, many qualitative measures of outcome and impact are used among different BSOs without clear or harmonized definitions.

- Some contradictory assessments were given in the course of the interviews.

With due consideration to these potential biases, the information provided by the institutions was cross-checked, and the data was cleaned as necessary using information published by the respective organizations, such as annual reports and reputable web sites as the most authoritative data source.

5. Analysis of the business environment (economy sectors, constraints to exports, etc.)

Export support ecosystems operate, and respond to, the specificities of their country and regional environment, including the wider investment climate. As such, the analysis also looks at the business environment in Novgorod as it pertains to export development.

6. Analysis of the current export support ecosystem

The collected information was analyzed to identify trends, patterns, and strengths as well as duplications, gaps and weaknesses.

7. Analysis of international best practices (cases).
The successful cases and experience of foreign and international organizations involved in export support activities were collected and analyzed to identify comparable sources of best practices.

8. Preparation of conclusions and recommendations based on 1-7.

A final synthesis of both incremental and more strategic recommendations for the regional support agency was then performed in order to improve operational efficiency and achieve strategic goals.

4.3 Mapping of the export support network

The overall map of the support network adapted for Novgorod is shown below in Figure 20.

As previously mentioned the map is vast and contains quite a number of organizations of different function; some of them represent a class of organizations (e.g. cross-country chambers of commerce or sectorial associations and unions, etc.).

In total, the number of organizations of the network is in the hundreds. Novgorod regional organizations form only the bottom right quadrant of the map. This implies in terms of the used classification that these regional organizations operate locally (regional level) and mainly in the field of non-financial support of exports.\(^{13}\)

The grouping (boxes) is further used to form the long and short lists of BSOs aimed at keeping representativeness by groups.

The regional infrastructure of export support is part of the national support universe. The federal support institutions provide opportunities to receive mainly general support as well as to provide a gateway to centralized sources of support funds and to international representation.

Non-financial support is represented by a substantially bigger number of organizations than that of financial support alone. The system includes numerous organizations that provide advocacy, policy development and regulatory development support. This includes a good number of institutions that provide financial support; a rather dispersed network of investment support; and a relatively low number of agencies providing SME export support.

There is a significant interrelation of roles and functions among the network. Also, there are visible gaps, mainly in terms of export intelligence, trade development and trade promotion assistance to SME exporters.

\(^{13}\) There may be financial support also rendered by regional organizations, but it is assumed here that either it is not directly export oriented or the share of that type of support are significantly below major financial support tools in the form of export credits, guarantees, etc.
Financial

Non-financial

Federal level

Novgorod level

State ministries, services and regulators
Federaal Service of Technical and Customs Control, Federal Tax Service, Federal Antimonopoly Service, Sectoral ministries (agriculture, communications, energy, transportation, education and science, and others).

Sectorial and expert organizations*
Strategic Initiative Agency, Russian Foreign Trade Academy, Russian Trade and Economic Development Council, RosSotsnajmicheskie, Union of Russian automotive prod., Union of railway equipment prod., Association of computer and IT prod., National Association of Distant Trade, Internet Development Institute, Online commerce companies, Union of wood processing, Union of fertilizer prod., and others.

State corporations and development institutes*
Industry Development Fund, MSP Corp., Internet Initiative Development Fund, Skolkovo, Russian Venture Corporation, Patenting Fund of MSU, Russian Direct Investments Fund, and others

Territorial cooperation organizations*
Territorial business councils (CCI), Cross-country Exchange centers (India-Russia Science and Technology Center, others), Cross-country Commerce Chambers (Russian-French, Russian-Britain, Russian-Finnish, etc.), and others.

Public business organizations*
OPORA, Russian Union of Industrialists and Entrepreneurs, Russian Chamber of Commerce and Industry (CCJ), Business Russia, and others.

Figure 20 Overall network of export support adapted for Novgorod

Blue prints are pivot organizations.
* Lists of these types of organizations are wide and change with time, only some of the most representative examples of the group are enlisted.
4.4 Description of selected key export support organizations for the Novgorod region

4.4.1 Overall network of business support organizations

Table 8 presents a quick overview of the priority that 35 BSOs in Novgorod give to the main trade and investment support functions. Considering their key categories of activities or services, the group presents five main types of organizations:

1. Organizations that provide some level of business and export support assistance to SMEs:
   - MSP Corporation
   - NESC
   - NFSME
   - OPORA
   - REC
   - RVC
   - Skolkovo

2. Organizations that provide mainly business and export support assistance to larger companies:
   - RTDEC
   - RBCC
   - RCCI
   - FRCC

3. Organizations that provide or give higher priority to financial and financially related support to business (banks, insurance and other financial support institutions):
   - EXIAR
   - NFSME
   - RosEximBank
   - RosSelkhozBank
   - Sberbank
   - VEB

4. Organizations that give higher priority and provide mainly investment promotion or investment related support:
   - NDA
   - IDF
   - NMIP
   - RVC
   - Skolkovo

5. Organizations that provide high priority or are centered on advocacy, policy, regulatory or technical development support:
   - ACITC
   - ASI
   - CEPLA
   - FCS
   - FSTEC
   - NMIP
   - MED
   - MIC
   - NADT
   - BREC
   - NPSRV
   - OAR
   - OPZT
   - RSPP
   - RAVT

Only a few (7) of the 35 organizations surveyed seem to give priority to SMEs, while most seem to concentrate their services, their priorities or their effective actions on larger companies. Even in terms of financial or investment support, the bulk of effective assistance ends up channeled to relatively larger companies.

The table below summarizes the priority scorings. The range of scorings is from 0 to 4, where 0 is none; 4 is a high priority. The sources for scorings are individual interviews and public information for the short list organizations and only public information for those BSOs that were not included in the shortlist. The grey fill indicates Novgorod based regional organizations.

14 Short names and acronyms below are explained in the glossary at the beginning of the report.
### Export Support Priority Scoring by Organization

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>FOUR BASIC EXPORT SUPPORT FUNCTIONS</th>
<th>Export support priority scoring by organization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>POLICY AND ADVOCACY</td>
<td>EXPORTER DEVELOPMENT</td>
</tr>
<tr>
<td>REC</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>MSPCORP</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>NESC</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>NFSME *</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OPORA</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>RVC</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Skolkovo</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>NCCI</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>NDA **</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>NMIP</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>ACITC</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>ASI</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>BREC</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>CEPLA</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>EXIAR</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>FCS</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>FR CC</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>FSTEC</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>IDF</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>MED</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>MIC</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>NADT</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>OAR</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>OPZT</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>UWPF</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>RAVT</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>RBCC</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>RCCI</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>RosEximBank</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>RosSelkhozBank</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>RSPP</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>RTEDC</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Sberbank</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>VEB</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>VTB</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Average SCORE by function</td>
<td>2,6</td>
<td>1,2</td>
</tr>
<tr>
<td>Organization No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total score by function</td>
<td>90</td>
<td>41</td>
</tr>
<tr>
<td>% by function</td>
<td>28%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Table 8 List of ratings for selected BSOs

* NFSME is given a score for financial support only as all other export support functions are presumably covered by NESC as its structural subdivision.

** NDA’s scoring is a tentative minimal assessment as the data from the company has not been available.

*** Financial support includes direct investments, R&D financing, export credits, grants, insurance and guarantees.
Average scorings for activities vary significantly from 2.6 to 1.2 which indicates a heterogeneous profile of export support. Financial support is highly concentrated within larger banks with less practical access for SMEs.

Most of the reviewed 35 BSOs are involved, in varying degrees, in activities related to policy and advocacy, including the development of or lobbying on policies or regulations for trade and investment and technical control mechanisms. The average priority of all the BSOs in terms of the policy and advocacy support function (2.8 in a scale of 1 to 4) is substantially higher than the average priority given by the network of 35 BSOs to other trade and investment support functions (1.2 to 1.6). In a way, this seems to respond to the perception that many companies have a relatively adverse and complex administrative and regulatory environment for trade. A more detailed analysis of functional profiles is shown below.

A stand-alone WB survey conducted at the beginning of 2018 on a total of 139 exporters and 300 non-exporting companies, as well as focus groups conducted in different technoparks indicated that federal level regulatory and administrative procedures, including the cost and complexity of customs procedures, are at the top of what companies perceive as constraints to exporting.

### 4.4.2 Key functions covered by the network

The share of total BSO services allocated to each of the four basic export support functions as well as to investment promotion and financial support is shown in Figure 21.

![SHARE OF EACH FUNCTION IN TOTAL BSO ACTIVITY](image)

**Figure 21 Structure of functions by BSOs**

Despite a general trend toward providing public services through a single window approach, the functions of export support are widely spread across many different institutions. This needs to be considered when tailoring support action plans for a given company or designing business processes for KPI based horizontal projects at the agency. Horizontal coordination is needed to utilize functionality across the network and is part of the strategic recommendation hereinafter.
Policy and advocacy stand in the functional analysis as a major focus area for BSOs. This may imply both that this function is well covered, and that there is a possible risk of duplication across organizations.

The functions of exporter development, export promotion and financial support are those least presented.

Following is an analysis of the current system of support by each of the six key functions based on the priority that each of the 35 BSOs gives to each function.

### 4.4.2.1 Financial support

Generally, the function of financial support is fairly well covered, although support is easier or solely available to larger companies, while SMEs experience a shortage of available funding. Most of the business surveys indicate a lack of access to funds among the main obstacles for most SMEs to address export markets. A 2013 study by Ernst and Young for the European Investment Bank identifies, amongst others, a lack of financing among the top obstacles for SMEs in the Russian Federation\(^\text{15}\). The 2018 WB survey of exporters and non-exporters also indicates that a lack of affordable financing is one of the top constraints that exporters identify as limiting their capacity to access new markets or increase exports.

There is a good range of BSOs and banks that facilitate access to loans, guarantees and insurance for export and investment. As discussed in the section of methodology, this list of organizations is not complete as some of them only represent classes of organizations, which additionally increases the final list of addresses for applications. Skolkovo, MSP Corporation and IDF work in partnership with large banks (Sberbank, VEB, VTB and RosSelkhozBank). The REC Group (EXIAR and RosEximBank) facilitates access to different financial instruments, including insurance and guarantees, in more favorable terms for export-oriented activities. However, as the focus groups and the survey of exporters have shown, the uptake of those financial services by SMEs is still very small relative to the availability of funds. Most of the funding from those financial institutions seems to end up channeled to large companies. Two important reasons for this situation seem to be the inability of banks to deal with and assess the risk of small and medium clients and the inability of SMEs to present bankable projects and provide the necessary information of acceptable quality required by banks for decision making\(^\text{16}\).

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\(^\text{16}\) Ernst & Young, 2013, page 26.
4.4.2.2 Investment promotion

Investment promotion is prioritized by four organizations of the selected group of BSOs. One of them is a regional development agency of Novgorod (for which the research has only generic data from public sources). There is no dominant player in this field identified. Although this report does not intend to cover the analysis of investment promotion, it is worth noting some important issues. None of the organizations surveyed in this report that declared to give high or top priority to investment promotion seem to have a dominant role or a complete range of support services for the promotion of foreign direct investment (FDI) in Russia or in the Novgorod region. It is also worth noting that there are other large players in the field of FDI in Russia (e.g. Russian Direct Investment Fund) but they are more on the private equity side and not directly involved in the promotion of FDI per se.

At the same time, two-thirds of high-income countries and around 50% of upper-middle income countries have already merged their trade and investment promotion agencies\(^\text{17}\). Merged or not, the most successful countries concentrate a large share of the investment attraction activity on one big, well-managed agency that not only takes care of country branding and generic promotion and communication events to attract FDI, but also provides a suite of services for interested investors, including aftercare support once the investment has been decided\(^\text{18}\). None of the agencies surveyed here seem to be able to provide such a complete range of services and support to potential investors. This report does not concentrate on investment promotion, but it would be relevant to conduct further analysis to assess if investment promotion efforts in Russia are not over-dispersed in too many agencies.

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\(^{17}\) ITC, Integrating Trade Support and Investment Attraction, October 2017 (www.tisibenchmarking.org)

\(^{18}\) Some good examples of strong investment and trade promotion agencies: APEX Brasil (www.apexbrasil.com.br); AUSTRADE (www.austrade.gov.au); Business France (www.businessfrance.fr); Global Affairs Canada (www.international.gc.ca); ICEX (www.icex.es); NZTE (www.nzte.govt.nz).
4.4.2.3 Policy and advocacy

Policy and advocacy is a very well covered function. A majority of the surveyed organizations put high priority (not less than 3 out of 4 in the grading scale) to this type of activity. This area does not seem to need any further enhancement formally as many organizations have already declared high priority to the development of policies and regulations and/or lobbying to improve the business environment, business regulations and other related conditions to conduct business, export or invest. Both the interests of large business as well as those of SMEs seem to be taken into consideration by this wide range of BSOs when performing this function. In fact, this type of activity appears to be in a way dispersed over too many organizations which, as a result, may lead to difficulties with choosing the right partner for this type of support.

4.4.2.4 Trade intelligence

Trade intelligence is the second most well-covered function of the list after policy and advocacy. Nearly all organizations declare contribution of effort to this activity though with a slightly lower estimated grade of priority than for policy and advocacy. However, only 5 organizations declare this function a high priority. All those organizations, except for Skolkovo, were interviewed to get more details about their suite of services and level of performance. Results and analysis of the BSOs that were interviewed are presented in Section 1.3 of this report.

The trade intelligence function for most trade promotion agencies includes a suite of services that facilitate information for export-related decisions. The information, in its various formats, could support the selection of the most suitable or promising export markets, including details on market structure, regulations, standards and conditions; the determination of the most adequate market entry strategy; the identification of in-market partners and business contacts or potential clients; and/or the identification of specific business opportunities.

It is quite natural and expected to see that both the federal and regional export support organizations (REC and NESC) put priority to this function. A general observation for most of the BSOs under review is that trade intelligence is addressed but has still remained dominantly generic. It is also very likely that the generic information is repeated in different organizations.
4.4.2.5 Export development

Export development has been of high priority only for two organizations under review – REC and NESC. Many other organizations declare this function but with a lower priority or irregular frequency. From the standpoint of the Pareto efficiency, this function needs to be addressed more as the function is scarce over the support network and is at the same time very important for building a sustainable pipeline of companies engaging in successful export activities.

This function includes all services that BSOs provide to improve the production or commercial capacity of business to reach foreign markets. It includes a wide range of services from assessing export readiness to the provision of training and/or customized advice in terms of production capabilities, managerial skills and commercial skills to be able to compete successfully in foreign markets. Well managed trade and investment promotion organizations oftentimes include export readiness tests in their web sites and provide a suite of online or on-site training programs to address some of the most common weaknesses detected in their target client segments. Most normally, those programs are designed using the results of those export readiness tests. They are sometimes accompanied by more specific research including targeted client and client satisfaction surveys. Not all organizations provide training directly. Numerous organizations arrange the provision of training through local or international partners (SME development organizations, business schools, technical control bodies, quality development institutes, market experts, etc.) who may have the specific expertise required. Some organizations provide services through projects with groups of clients with common internationalization interests and design those training programs for the specific needs of the group.

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19 For examples of export readiness assessment and training programs see:

- On-site “Export Essentials Workshops” of NZTE [https://www.nzte.govt.nz/~link.aspx?id=2BB522D0DE784CF88F221DC5A1CDC8658&z=2](https://www.nzte.govt.nz/~link.aspx?id=2BB522D0DE784CF88F221DC5A1CDC8658&z=2);
- “The International Selling Programme” of Enterprise Ireland in partnership with the Dublin Institute of Technology (DIT) [https://enterprise-ireland.com/en/Funding-Supports/Company/Esetablish-SME-Funding/Key-Manager-Grant.html](https://enterprise-ireland.com/en/Funding-Supports/Company/Esetablish-SME-Funding/Key-Manager-Grant.html)
4.4.2.6 Export promotion
Quite symmetrically to the previous function of export development, this function is under-represented with only two organizations (REC and NESC) that prioritize this activity while a number of institutions put it on a backburner with lower priorities attributed. It is natural that single window organizations take major roles in the activity. However, given the wide network of export-related BSOs such limited coverage of the function makes it a scarce type of activity dependent on the limited resources of just a few organizations.

4.4.2.7 Conclusions
In summary, looking at the broad system of 35 BSOs it appears that, outside the advocacy and policy support functions, the institutional network of support in terms of trade and investment intelligence, training, promotion and financing is relatively weak, particularly for SMEs. It is also worth noting that even though the coverage for advocacy and policy appears sufficient, it is by virtue difficult to evaluate quality and performance for this type of activity. Its impact on actual exports is indirect and hard to measure within any used/known management systems.

However, the broad analysis of averages in such a large group of institutions hides substantive differences between the different BSOs. It is then important to undertake a more detailed analysis of the most relevant BSOs and the specific services that they provide to SMEs in Novgorod.
4.5 Analysis of the key trade support organizations in the case of Novgorod

4.5.1 Shortlist scorings

A more detailed profiling and analysis of nine agencies that are most actively engaged in trade and investment support both at a regional level in Novgorod and at a federal level insofar as it applies to Novgorod region was carried out. The mandate of these organizations includes direct export or investment support services to business, as follows:

- Russian Export Center (REC)
- MSP Corporation (MSPCORP)
- Opora of Russia (OPORA)
- Russian Trade and Economic Development Council (RTEDC)
- Novgorod Chamber of Commerce (NCCI)
- Novgorod Center for Export Support (NESC)
- Novgorod Ministry of Investment Policy (NMIP)
- Russian-British Chamber of Commerce (RBCC)
- Russian Venture Corporation (RVC)

Among them, there are regional organizations, such as the Novgorod Export Support Center (NESC), Novgorod Ministry of Investment Policy (NMIP) and Novgorod Chamber of Commerce and Industry, as well as representative federal level agencies, such as the REC, MSP Corporation, RCV, a cross-country chamber of commerce (Russia-Britain), a public organization (Opora of Russia) and a private sector mediating company (RTEDC).

<table>
<thead>
<tr>
<th>Market information and analysis</th>
<th>NESC</th>
<th>NMIP</th>
<th>NCCI</th>
<th>REC</th>
<th>MSPCORP</th>
<th>OPORA</th>
<th>RTEDC</th>
<th>RBCC</th>
<th>RVC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business contacts</td>
<td>2.0</td>
<td>2.0</td>
<td>1.0</td>
<td>2.3</td>
<td>2.7</td>
<td>0.7</td>
<td>3.0</td>
<td>-</td>
<td>2.0</td>
</tr>
<tr>
<td>Business opportunities</td>
<td>3.0</td>
<td>2.0</td>
<td>1.5</td>
<td>2.7</td>
<td>2.7</td>
<td>0.3</td>
<td>3.3</td>
<td>2.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Assessment of export readiness</td>
<td>4.0</td>
<td>2.7</td>
<td>2.7</td>
<td>3.5</td>
<td>2.5</td>
<td>1.5</td>
<td>2.5</td>
<td>1.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Training</td>
<td>3.3</td>
<td>2.3</td>
<td>1.3</td>
<td>3.7</td>
<td>3.7</td>
<td>0.5</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export promotion</td>
<td>4.0</td>
<td>2.3</td>
<td>1.3</td>
<td>3.3</td>
<td>-</td>
<td>2.0</td>
<td>2.5</td>
<td>1.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Investment promotion</td>
<td>1.3</td>
<td>3.7</td>
<td>1.0</td>
<td>1.3</td>
<td>2.0</td>
<td>1.8</td>
<td>2.0</td>
<td>-</td>
<td>2.8</td>
</tr>
<tr>
<td>Facilitating cross-border trade</td>
<td>0.8</td>
<td>0.8</td>
<td>2.3</td>
<td>2.2</td>
<td>-</td>
<td>2.2</td>
<td>1.2</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Lobbying / advocacy</td>
<td>2.7</td>
<td>3.7</td>
<td>2.3</td>
<td>2.3</td>
<td>3.0</td>
<td>4.0</td>
<td>1.7</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Facilitating access to resources</td>
<td>1.0</td>
<td>1.0</td>
<td>1.7</td>
<td>3.0</td>
<td>1.3</td>
<td>0.3</td>
<td>0.3</td>
<td>-</td>
<td>1.7</td>
</tr>
<tr>
<td>Customized advice for readiness</td>
<td>3.0</td>
<td>3.0</td>
<td>1.0</td>
<td>3.0</td>
<td>-</td>
<td>-</td>
<td>2.7</td>
<td>-</td>
<td>2.0</td>
</tr>
<tr>
<td>Custom promo export support to clients</td>
<td>4.0</td>
<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
<td>2.5</td>
<td>-</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Average by organization (less investment promotion) | 2.9 | 2.1 | 1.6 | 2.8 | 1.1 | 1.0 | 2.0 | 0.7 | 1.8 |

Table 9 Shortlist of BSOs selected for more detailed scoring

More detailed profiles were received for these agencies and were further cross-checked to minimize subjectivity and calibrate scales of judgments. The scorings of priorities vary from 0 (none) to 4 (high). For the purpose of this analysis, the investment promotion is shown illustratively and is removed from the calculation of averages as for the key export support organizations (REC and NESC) this direction of support is not a core but rather a supplementary function. This statement derives from a broader observation that export and investment support infrastructures in Russia are separate though overlapping. As a benchmark of calibration, the resulting major agencies, NESC and REC, attained the highest and at times managed to be equal to the average scorings for the region.
One can see that support ratings by organizations vary significantly. The key support organizations for the region are NESC and REC which is an intuitive statement, though other organizations do notably participate in the overall ecosystem for export support. The extent to which these various agencies are coordinating to ultimately provide more focused and intensive support to high potential exporters and/or to meet KPIs related to the number of exporters and volume of exports is a question the report will explore in greater depth.

4.5.2 Support network configurations

In order to obtain a more practical look at the support types and intensity by the nine organizations, Figure 28 shows the total level of support provided by function. The height of bars denotes the volume of overall support activity and the size of the individual segments of a bar indicates intensity of elements (organizations/activities) of the analyzed range.

This analysis reflects a high dependence on REC and NESC for many functions of the support network, which is, as already mentioned above, to be expected. At the same time, it is also clear that other organizations are providing a similar set of services, particularly at the level of more generic support. This suggests an opportunity to further promote specialization among providers of export support with a network of BSOs providing more generic support and core export support organizations focusing more on customized support for high potential exporters.
CONTRIBUTION BY FUNCTION

- Custom promo export support to clients
- Customized advice for export readiness
- Facilitating access to resources
- Lobbying / advocacy
- Facilitating cross-border trade
- Investment promotion
- Export promotion
- Training
- Assessment of export readiness

CONTRIBUTION BY ORGANIZATION

Figure 28 Support network configurations by function and organizations
4.5.3 Intensity analysis of support structure

For the purpose of further analysis and recommendations, the concepts of generic and intensive support, crucial for the proposed strategy of NESC, are introduced.

4.5.3.1 Generic support

Generic support is defined as standardized non-financial services that are delivered uniformly to any potential exporter. These off-the-shelf services may include access to general information, training in various aspects of foreign trade, general promotion, networking events, etc., and include activities that create preconditions for export-related lobbying and advocacy. While this type of support is not strongly targeted, it is important as part of the business environment for both potential and actual exporters. It enables them to better understand their own export potential and even take the initial steps to obtain general market information and contacts, understand export processes, and assess their development needs.

Normally this type of support is relatively universally applied to companies from different business sectors of different sizes and with different exposures to exports. Most of the organizations of the indicated above support network allocate either a significant part or most of their activities to this type of general support.

For the purpose of this report, generic support is considered the dominant delivery mechanism of the following support functions:

- Lobbying and advocacy
- Assessment of export readiness
- Training
- Facilitating cross-border trade
- Export promotion
- Investment promotion.

4.5.3.2 Intensive support

Intensive support conversely is the delivery of customized non-financial services for high potential exporters. Intensive support services are customized and tailored for the specific needs of clients and involve a much greater allocation of time and resources by the organizations delivering these services. This type of support also requires much more in-depth expertise in a specific sector/territory/market that often will need to be procured outside the BSO providing the intensive support. Because intensive support is highly targeted, it results in a stronger impact on KPIs (the major ones are number of exporters and business volume of supported export transactions).

The trade-off to achieving higher impact is significantly higher costs in the terms of funds, labor and required expertise. Therefore, this type of support is a rare resource of a support agency and must be applied to a carefully selected range of clients (High Priority clients) that are capable of productive utilization of this resource and capable of demonstrating practical increases in export activities.

Intensive support is considered the dominant delivery mechanism of the following support functions that are used for the analysis of the shortlist organizations in the report:
- Customized advice for export readiness
- Customized promo export support to clients.

4.5.3.3 Functions with mixed types of support

The following represent a range of support functions that could be delivered in either a generic or intensive manner depending on the actual needs of the client. Among them are the following:

- Market information and analysis
- Business contacts
- Business opportunities
- Facilitating access to resources.

4.5.3.4 Pareto analysis

The Pareto principle (also known as the law of the vital few) states that for many events, a majority of the effects come from a minority of the causes. Building on the typology of generic and intensive support, a Pareto Analysis allows us to examine the relationship between these services across and within the nine organizations. The Pareto function – indicated in the red curve in the graphs below – represents the cumulative percentage of the overall support activities (the percent axis on the left side).

In the graph “Contribution by Function”, the red fill indicates the most or least covered functions. The area between the grey fill (mostly generic support functions) and yellow fill (mostly intensive support functions) corresponds to approx. 70% of cumulative activities as outlined with an arrow.

In the graph “Contribution by Organization”, the green filled bars are the key support organizations (NESC and REC). Their contribution (by NESC and cumulatively by REC and NESC) is outlined with arrows.
The graphs quantifiably present the following observations.

On the side of activities:

- More than 70% of the overall activities of the short list network are dedicated to generic early stage support functions.

- Meanwhile less than 30% of the overall time, effort and funds are attributed to more specific intensive support for more advanced exporters.

On the side of organizations:

- Notwithstanding the fact that NESC and REC are the major support entities for the region, the overall estimated contribution of these two organizations is less than 40% of the overall business support activity of the network.
At the same time, the other BSOs contribute most of their services into generic early stage support.

This analysis demonstrates a clear opportunity for some export support providers to specialize in the delivery of more intensive support activities without compromising the availability of generic support as these functions are covered by other BSOs. Under such a scenario, higher capacity BSOs would outsource some of the generic services they are providing and use these resources for intensive support to high potential exporters.

4.5.4 Comparative analysis of functional profiles of NESC and REC

NESC and REC are single window type organizations operating at the regional and federal level respectively. Given the similar principle mandate of these two organizations and their potential to play a key role in delivering intensive support, they are further analyzed below.

As stated before, the calibration of profiles was performed in such a way as to provide the same absolute summary scorings of these two organizations for their impact in the region. The intuition behind this equation is that for Novgorod both NESC and REC are equally important on the local level and operate in a complementary way at the federal and regional levels to provide a consistent backbone of support functions for a comprehensive spectrum of clients.
As the graph demonstrates, the profiles seem similar; similar patterns would remain regardless of the sequence of functions. Generally, this is intuitive and may evidence internal lending of practices. It may also indicate a good basis for compliance with the regional export standard introduced by REC.

At the same time, this also evidences potential duplications of efforts for some functions in which REC has more practice, resource and other advantages. Given the organizations having complementary operations, it is recommended that NESC outsource functionality from REC and carry further delivery of those services in depth with local specifics and client orientation.

The most effective outsourcing from REC is expected in generic early stage support of non-exporters and new and/or occasional exporters. Proposed adjustments to the profile of NESC are included in the chapter “Recommendations”.
4.5.5  Additional observations from NESC profiling

• Currently (reported at the time of profiling), the agency has three employees. No administrative staff is employed, rather these are presumably outsourced from the Novgorod Fund of SME support (NESC is a division of, and co-located with, the Fund).

While such numbers for staff in regional support agencies are rather common, it does impose on the agency a certain mode of operation mainly associated with an event-oriented, generic support approach. This type of support is important as part of the broad export support ecosystem and may have been more suitable for the early phase of NESC, while the agency was becoming established and promoting itself locally. However, it creates for NESC clear overlaps with the major focus and functionality of REC.

• At present, NESC dominantly services micro and small companies. Annually, NESC received about 100 clients; of which approx. 35% are exporters and the rest are non- or “no longer” exporters. A majority (82%) are from micro businesses (Table 10).

<table>
<thead>
<tr>
<th></th>
<th>Clients No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>0%</td>
</tr>
<tr>
<td>Medium</td>
<td>1%</td>
</tr>
<tr>
<td>Small</td>
<td>17%</td>
</tr>
<tr>
<td>Micro</td>
<td>82%</td>
</tr>
</tbody>
</table>

Table 10 Structure of clients of NESC by size

• In recent years NESC has undertaken a significant effort to organize introductory export training courses - in many cases organized on a territorial (sub-regional) basis.

• The agency has no CRM system to keep track of client relations. This information is maintained mainly through live conversations and feedback at events. This ad-hoc system of tracking clients is suitable for a small operation, but with an annual client load of over 100, the agency may risk losing information or opportunities for clients without a more rigorous approach to CRM.

• The budget of NESC has increased notably this year. The increase by scale amounts to a few times more as compared to the previous year of 2017.

• Currently, NESC has no representation abroad.

• At present, NESC has no formal partnership agreements with other organizations, either domestic or foreign.
4.6 Export barriers at the country and regional level

Based on the research of publicly available information as well as on discussions and interviews with a few dozen representatives of both BSOs and the broader private sector, a classification of export barriers was compiled. Two sets of export barriers for exporters and non-exporters were considered: i) those applied at the federal level but affecting Novgorod and ii) barriers specific to Novgorod. Considering the scope of the report, the constraints are briefly listed for reference. It is recommended to consider this list of both systematic and regionally-sensitive constraints as the material substance of challenges for export support.

4.6.1 Systematic barriers at the federal level

- Financial
  - Access to working capital financing required for external trade in volume, structure and quality to be competitive worldwide.
  - Insufficient business volumes of support entities in comparison with peers of leading economies.
  - Availability of standardized financial products for SME exporters.
  - The effectiveness of the application of existing financial support measures.
    - A significant part of support in both monetary and non-monetary terms is received by a limited number of larger enterprises.
    - Lengthy decision-making procedures for support measures.

- Non-financial
  - Complex and complicated regulations and processes related to customs clearance.
  - Currency, security and other control issues.
  - Taxation.
    - Reimbursement of export VAT has remained a complex procedure consuming significant time (up to 6 months) which undermines the liquidity of companies and disproportionately affects the turnaround of export operations.
    - The examination of all documents of the transaction must be carried out within 3 months and the law does not provide for an extension of this period.
  - Certification and licensing.
    - Difficulty and high-expense associated with complying with the country’s standards and international standards.
    - Interviews with conformity industry experts have suggested that the certification procedures are costly and time-consuming (Eurolab, CEOC, EA and EEPCA).
Protection of IP rights has remained a concern both domestically and internationally. The key issues of the IP protection include i) the large market in counterfeit products; ii) patent raiding; iii) leakage of non-patented IP; iv) the lack of quick and quality practical regulations of court, arbitration, antimonopoly and other institutions involved.

A complex and constantly growing field of IP protection is difficult and costly to navigate, especially for SMEs. These constraints are driven by i) Lack of in-depth information on specific country regulations, markets, products; ii) Lack or insufficient quality of representation, marketing, advocacy and contact facilitation for exporters; iii) Lack of technical skills.

4.6.2 Export constraints typical for Novgorod

- Financial
  - A generally limited offer of financial instruments in the region.

- Non-financial
  - Lack of mid-sized companies that would feed the pipeline for increasing the number of sustainable exporters and volume of exports.
  - The export structure contains a single dominant company (mineral fertilizers) that does not fully belong to the region.
  - A deficit of a qualified labor force to sustain internationally competitive production and manage export activities.
  - Lack of recognition for the brand “Made in Novgorod”.

- Lack of Intellectual Property.

- Financial
  - A generally limited offer of financial instruments in the region.

- Non-financial
  - Lack of mid-sized companies that would feed the pipeline for increasing the number of sustainable exporters and volume of exports.
  - The export structure contains a single dominant company (mineral fertilizers) that does not fully belong to the region.
  - A deficit of a qualified labor force to sustain internationally competitive production and manage export activities.
  - Lack of recognition for the brand “Made in Novgorod”.
4.7 Identification of gaps and weaknesses in the existing export support system

The analysis of the general institutional landscape of trade and investment support functions offered by the network of 35 BSOs and the more detailed analysis of the profiles and suite of export support services offered by the selected key BSOs indicate that the system has:

- A few areas of duplication where several organizations offer the same services or where too many organizations compete to deliver on the same functions;
- Important gaps in the service offering, as the network does not supply services that are important to ensure effective and sustainable export results for SMEs;
- Operational weaknesses at the most relevant BSOs which reduces their capacity to effectively support the exporting efforts of SMEs.

More specifically, the system of support presents the following major issues that should be taken into account for the establishment and strategy of the regional support agency:

- Policy and advocacy functions are already well covered, even highly duplicated
- The system is more event-oriented than client-focused
- Reporting and information provision are not in line with international best practices
- REC is the most important player but has limited budget and outreach
- Export financing is available, but SME uptake is low
- The export intelligence system is still too generic to produce sustainable results
- Export development training is building up but needs to be completed and rolled out to SMEs
- Export promotion is largely event-oriented and un-targeted
- There is a lack of associative or sector export programs
- A network of foreign support offices is still insufficient
- No structured system of charging minimal/partial fees for services is established
- Export readiness assessment procedures are developing but still need improvement.

Policy and advocacy functions are well covered. There is a high level of dispersion and duplication in terms of advocating and/or promoting the right policies for SMEs in Russia. From the stand-point of scorings, the function is well covered but it is beyond the scope of this analysis to assess the efficacy of how policy proposals are responded to. There is a risk of duplications and limited efficiency of performance in this particular activity, as well as it is estimated to be dependent upon third-party efficiency. There seems to be no need within the Novgorod export support infrastructure for future expansion of activities in this area. Alternatively, it is recommended to focus on more directly measurable and practical productive functions. The recommendation is reflected in proposed adjustments to the functional profile in Section “Recommendations”.
The system is more event-oriented than client-focused. Most organizations, including REC, are weak or don’t have a client engagement process or client management system that would allow them to adapt and center their support on SME clients or even larger clients. BSOs have not invested sufficiently in analyzing the needs of SMEs and in adapting their service architecture to offer differentiated services adapted to different segments and to the specific needs of clients. There is not sufficient analysis on the export readiness and/or the stage at which SME clients or potential clients are in their internationalization or export development process. Few organizations measure their contribution to the export outcomes of their clients and concentrate measurement systems, if any, on measuring outputs, i.e. the number of events or services delivered (number of activities or number of clients assisted). This is a direct result of their event or service orientation. By contrast, efficient and well-run organizations concentrate their measuring systems and reporting on the outcomes and impact of their activities (i.e. the value of additional exports generated, new exporters, new markets, growth, employment, etc.).

The system has a low level of transparency. It is difficult to find comprehensive annual reports on websites and those that are published are incomplete. Most publicly available reporting is centered on describing activities delivered but there is little information on budgets linked to those activities. Moreover, as mentioned, reporting on relevant key performance indicators, mainly those linked to outcomes and impact, are dispersed or non-existent. It is impossible to analyze the efficiency and effectiveness of the BSOs with the existing level of publicly available information. Leading trade and investment promotion organizations publish up to date and comprehensive reports that include full financial results, budgets by activities and outcomes of those activities and programs.20

REC is the most important player in the system but still has a limited budget and weak outreach. Some of the REC limitations that are relevant for the effective operation of NESC include:

- Budget is still limited compared with other national export promotion organizations. Australia and Spain have economies that are broadly of the same size as the Russian Federation. Still, their export promotion institutions AUSTRADE and ICEX have operating budgets that are around 16 times and 10 times bigger than that of REC. APEX of Brazil has a budget that is, relative to its country GDP, 8 times bigger than REC’s.

- Coverage is still limited relative to Russia’s total number of SMEs.

- The event-driven strategy and lack of a client management framework leads to the provision of the generic type support (generic market information, non-qualified or generic directories of contacts, lack of specific support to prepare participation in events…etc.). Experience indicates that organizations obtaining good results are those that select more thoroughly and provide more intensive and tailored preparation/training and services to their beneficiaries.

- Weak presence abroad still limits the ability of REC to provide more targeted and specific information, contacts or promotional support. REC does not have their own offices, representatives, agents or service providers in important potential markets. However, REC has plans to establish more than 60 offices around the world before 2020.

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Export financing support is well covered, but SME uptake is low. The current network of federal public financial support institutions has a range of financial instruments to facilitate trade and investment. However, there is a need to address the low uptake of SMEs with available funding and other export financing instruments. This gap could be addressed on both sides: financial institutions and SMEs themselves. Loan procedures could be fine-tuned to make them more suitable for SMEs while the regional agency could provide training/support to SMEs on the preparation of better business cases and bankable projects.

Export intelligence system is still too generic to provide meaningful results. While the generic information that REC and other players can provide on foreign markets is very useful for the initial decisions on the most promising markets, it is still not enough for a specific company as it needs to advance in the definition of the specific market entry strategy and continuing operations. Equally, the provision of directories with contacts may also help at the initial steps, but the selection of potential contacts to meet during an event, in a mission or in a specific market visit, needs more detailed profiling for more qualified information and selection of potential in-market partners.

Export development training is building up but needs to be completed and rolled out to SMEs. Through its “Export School”, REC is helping regions to build up a system of trained experts who will be able to transfer knowledge to SMEs. For the moment the system is centered on training the trainers but the implementation of training SMEs is still very limited. There is also a need for establishing a simple export readiness test that would allow segmenting the client base and adapting the suite of services and the client engagement system to the needs of each segment. For the moment, REC does not seem to have a specific program to select and prepare (train) companies that could participate in promotional actions (trade fairs, missions, etc.) to ensure that participants are ready and able to take more advantage of the promotional efforts, thus achieving higher results. Finally, advancement is necessary for the possibility of creating an export development path for SME clients that could take them to different stages of export development training and could eventually be completed or complemented with the achievement of the “Made in Russia” brand.

Export promotion is largely event-oriented and untargeted. Promoting exports abroad is expensive both for the company and for the export support organization. The export support system in place by the REC and most other organizations that work in export promotion centers focus too heavily on the event and not on finding the event that best fits the specific needs and capabilities of each company. Subsidizing the participation of larger companies -that don’t need subsidies- or spending those resources in companies that are not fit to the market or not ready to promote their products or services abroad, wastes resources and produces low returns.

Lack of associative or sectoral export programs. The analysis of the support services offered by the BSOs surveyed did not find any significant program or project that gathers groups of companies with common interests or works with a specific sector to expand exports. Associative arrangements and sector-based projects are common in innovative trade and investment promotion agencies. Projects could have a wide variety of objectives including sharing costs of information and training to understand and enter a new market\(^\text{21}\); sharing efforts to grow in a market where the clients already have a presence\(^\text{22}\); better

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\(^{21}\) Example: Enterprise Ireland’s “First Flight UK” http://www.enterprise-ireland.com/

\(^{22}\) Examples could be the “Go Silicon Valley” program of Advantage Austria http://www.austria.org/austrianinformation/2015/3/27/go-silicon-valley to help SMEs IT companies break into the US market; or the “Primary Collaboration New Zealand” https://relationshipscience.com/organization/primary-
integration of the value chain to improve international competitiveness\textsuperscript{23}; expanding the exports of a specific sector to specific markets\textsuperscript{24}; working with groups of companies that have complementary products or services in order to provide an “integrated solution”\textsuperscript{25}; etc. Projects allow trade and investment promotion agencies to bundle their support services to reach a larger number of high potential clients at a lower cost of delivery, to facilitate the sharing of costs and of experiences between the companies, and to ensure greater impact, among other objectives.

**Insufficient support in target markets.** The weak presence of REC in target markets is a strong limitation to be able to provide the intensive and specific support and “handholding” that SMEs require when they venture abroad. SMEs need *specific* and intensive “last mile” support as they do not have the resources to follow up by themselves based on just generic information and opportunities. But, MSP Corporation, MOSTPP and REC still have very limited budgets that do not allow them to reach a significant number of potential exporters nor provide them more intensive market intelligence support. The possibility of providing adequate in-market support in the future will depend on the effective implementation of REC’s plan to establish offices abroad.

**No structured system of charging minimal/partial fees for services is established.** As earlier indicated in the introduction section, charging fees for mostly intensive support services is one of the prerequisites to result in achievement. On the side of a support agency, this creates sound motivation for controlling the content and quality of services, and on the side of a client, this enhances value estimation (for incurred expenses).

**Export readiness assessment procedures are developing but still need improvement.** Extended export readiness tests and self-assessment / online procedures are an important part of the support infrastructure. They contribute to export capacity building in the region by raising awareness with private sector companies for opportunities that exports provide as well as by helping companies evaluate their current readiness for export and individual development/training profiles. From the standpoint of the overall support sequence, export readiness assessments are an important instrument to facilitate the clients’ pipeline for support measures.

collaboration-new-zealand-ltd-189933596, an association of 8 New Zealand food and beverage companies supported by NZTE to enter and grow into the Shanghai market.

\textsuperscript{23} Example ProMexico’s INTEX model. https://www.gob.mx/promexico

\textsuperscript{24} Example ProColombia’s http://www.procolombia.co/ “Selling Methodology 2.0”

http://www.intracen.org/uploadedFiles/intracen.org/Pages/WhatMakesaWinner.pdf initiative to expand textile and apparel exports to the US market.

\textsuperscript{25} Example ICEX “Smart cities” project.
5 RECOMMENDATIONS FOR NOVGOROD NON-COMMODITY EXPORT SUPPORT SYSTEM

Based on the above analysis of the export support network, the profiles of the agencies, and on WB’s experience in international practices engagement, a set of measures, both of a systematic strategic type as well as more tactical improvement steps, are recommended for the Novgorod Government.

It is important to note that some of the proposed measures require intensive staged implementation as part of the established general export support strategy. A definition of the strategy and implementation process can be elaborated on in a more detailed standalone assignment.

5.1 Structure of proposed recommendations for shaping the support system

In order to keep track of what stands behind the proposed measures, the overall structure of recommendations has been succinctly compiled. This structure demonstrates the interrelations of the measures and helps coordinate them at the strategy and planning stage as well as on the potential implementation stage.

The structure comprises four main features that are deemed crucial for successful regional export support activity in productive cooperation with other regional and federal support organizations. Most of the
standalone recommendations hereinafter are subordinate parts to this structure and should be considered in this strategic context.

5.2 First line recommendations

An important aspect of the classifications of measures is their timeframe and cumulative “price” of implementation. Some of the proposed changes are more standalone activities; others are more systematic and strongly interrelate with others. Some relatively easy and resource inexpensive measures should go first as they serve to be prerequisites (and otherwise their absence may create bottlenecks) for more systematic changes.

The first line recommendations that are relatively easy to implement and that facilitate further strategic changes (should a decision upon them be taken):

• Consider a potential increase in the productive and/or administrative staff from the currently reported numbers in order to provide for the capacity of more labor-intensive initiatives below.

An increase in personnel is not an end in itself. The current staff number may generally be sufficient for an event-oriented agency rendering limited generic support/coordination, as long as the administrative activities of the agency are presumably outsourced from the SME Support Fund (as the agency is a subdivision of the Fund). However, should a recommended decision to introduce client-centric tailored intensive support be taken, partially or in full, the implementation of the respective strategy and action plan will require more staff. It is additionally recommended to draft a staff development plan tied into the strategic development plan, so that staff increases will not be self-sustainable events but rather a staged procedure of provisions for development.

• Consider the introduction of project management tied into reaching major identified KPIs.

Should strategic priorities be finally defined, they will require emphasized attention to either streamline support directions and/or complex HP client support plans; all in the case of unstable and changing external environments. The adequate response to this combination of internal and external factors is adaptive (in this case - matrix) organizational structures. Such type of management provides horizontal lines of management/coordination aligned with key projects/directions at the organization. The main advantage and simultaneous disadvantage of the structure are conflicts at the intersections of the vertical hierarchy and project management. These conflicts are the main tool of the matrix providing for quick alarms to respond to the environment, but it requires constant efforts to keep those conflicts in a constructive mode. This results in sufficiently high requirements to qualification and experience of project managers; the latter statement is a consideration recommended for special attention.

• Consider shaping the KPI system in order to have them organized in a structured profile, as well as to emphasize the result-driven indicators and potentially scale down event-oriented ones.

The current overall impression received in the course of profiling is that NESC has a thorough set of generally used KPIs, however, their weights/priorities are not sufficiently articulated. Currently, they have the same high priority and are only indirectly linked to practical activities of the agency. This makes achieving them more abstract and dilutes strategic priorities.
It is proposed to emphasize the lead KPIs that are based on the number of exporters and the volume of exports. These lead KPIs need to be equipped with second-tier measurable indicators (KPIs) that would facilitate the achievement of the lead KPIs along different strategic directions and accompanied by the agency’s internal projects defined by the project management approach.

Based on the performed analysis (see also Section 3.5), the following additional KPIs are recommended as an enhancement to the general KPI system that already exists in the export support system:

- Value of non-mineral fertilizer exports
- Number of countries (non-mineral fertilizers) providing over US$ 1 million in exports from the region
- Number of new export contracts facilitated
- Number of consistent exporters (at least 2-3 years)
- Number of successful exporting SMEs (2-3 years).

This set may be accompanied by additional KPIs coming from the project management system, should this system be eventually introduced.

There could also be further indicators depending on the agency’s capacity and scale of activities; however, too complex a structure would hamper the performance of NESC. The final working structure of KPIs is subject to a definition of the strategy and chosen practical relation of generic and intensive support.

- **Consider the list and structure of export constraints in the report.**

The list of constraints is built based on research of open source information, discussions, and interviews with representatives of business and the public sector. Part of the export support is by virtue elimination or reduction of these obstacles. In this sense, this is a material base to consider for support activities.

- **Consider charging partial/minimal fees for services.**

It is understood that public support entities are non-commercial and often may, depending on their legal organizational status (in most of the cases provided for in the Civil Code), have legislative limitations to collect fees for services. However, in some cases organizations can collect fees for services should those fees not constitute profits for the organization. Collection of partial/minimal payments for services will not, in any case, cover the costs of the agency, nor is this the intended purpose. However, it may significantly improve the commitment of a company that is given a service (as it is received at the expense) as well as it improves the performance of the agency (as it works for reimbursement and bears responsibility for the quality of the service). Therefore, it is recommended to investigate the legal environment of the agency whether collecting fees is possible; and, if so, consider the introduction of partially reimbursable services, especially for intensive types of support.

- **Consider establishing partnerships with a strong back-loop to follow up measures with selected organizations in selected industries; this partnership network should be harmonized with the below-described segmentation approach.**
This recommendation is important if the intensive support focus is chosen by the agency. The focus on HP client needs will entail a necessity to outsource generic support in order to free resources of the agency for costly intensive support. For such outsourcing, an established effective network of contacts and relations with other support entities is required. At a point of time, this network will need to become formalized as the intensity of the interaction with counterparts grows.

- **Consider the introduction of a CRM system with minimal necessary configurations with an ability to potentially expand.**

On a deep conviction of the report’s author, an organization/company needs some type of automation ICT soft-/hardware only if the organization/company has real-life knowledge of what is to be done and practical experience of doing this manually. The need is then to scale up the process and make it faster and more effective through automation. It seemed at the profiling of NESC that this is the appropriate time for the agency. Currently, the number of serviced clients is approx. 100 per year which, given the time of establishment of the agency, hints at the current active pool of counterparts of around 150-200. This number is on the verge of losing a required level of information on clients by manual processing. If the agency decides to implement the client-centric approach and further increase the contact pool, a CRM will become of high importance. It is recommended to select a simple solution (with minimal burden to maintain) with capabilities of scaling up if required.

### 5.3 Resource mapping by client size

Currently, the agency services mainly micro companies and some small companies. As the agency continues to develop, it will remain highly important to stimulate export awareness and to maintain a pipeline of maturing exporters via rendering support to the same segment of micro and small companies. However, Part 1 of the research demonstrates that the sustainability of exports is counter-proportional to the company size as well as to larger companies that tend to have preferences evolving towards intensive support.

**The recommendation is to shift a critical mass of the intensive support of HP clients’ portfolio towards more attention on small-midsized clients, rather than to micro-small clients. Micro and other non-HP clients will receive generic support and will become the pipeline for growing HP clients. This way the agency will keep the overall support of all applicants meanwhile optimizing the resource utilization in order to achieve KPIs via intensive support of HP clients.**

Such an approach cannot by virtue come to the extremes of supporting only larger companies as they do not require that much of non-financial support and normally fall off from an active cooperation mode for they have their own export channels and support resources; so the proposed shift is mainly within the opposite ends of the SME classification range.

The graph below demonstrates an illustrative transition to a more effective client portfolio in terms of their size classification.
The micro-small segment of clients, as well as the segment of those clients that are not highly export ready, will receive adequate generic support from the agency. At the same time, a notable part (defined practically) of the agency’s resources will be attributed in a focused manner to a selected lower number of HP clients capable of bringing tangible results in the form of increased export sales as well as increased number of exporters.

5.4 Functional profile of NESC

In order to reach more efficiency, it is recommended that NESC modify the service profile by function so that more of a complementary difference to REC services will be achieved. This would free resources for focusing on result-driven KPIs.

As indicated in Chapter 5.4 currently the functional profile of NESC is estimated to be reasonable, however, the profile strongly resembles that of REC. This creates risks of duplication in activities as well as draws away the productive capacity of the agency while these services could be outsourced from REC and other BSOs. It is clear that full outsourcing is not a realistic scenario while some partial outsourcing is recommended.

Dotted line arrows suggest a reorganization of activities in order to engage more in intensive support of high priority clients at more advanced stages of their export readiness while outsourcing more generic early-stage support from REC and others.
Firm line arrows suggest enhancing or reducing the weights of activities as the type of these activities already contains more direct attribution to either generic or intensive / region specific support.

5.5 Regional specificity of export markets and exporters’ consistency

Fertilizers are a good cushion but in practicality, the sector’s exports are out of tangible influence by export support entities. Consider the evaluation of non-commodity export dynamics separate from mineral fertilizers. Currently, fertilizer exports dominate the export basket of the region and originate from a single larger company, Acron. This company is a vertically integrated holding company with a number of production facilities and other companies of the group located in different regions including Novgorod. The company has international representation and presumably is strong enough to manage its export activities on its own. In addition to that, the group does not belong fully to the region which may be reflected in the overall strategy of the business. There may be other companies in the region building into the supply chains of Acron; however, it is most probable that those companies would rather sell locally to Acron that will then export via its own strong channels.

The presence of this cushion in the structure of the regional exports is positive as this significantly increases the overall scale, however, this part of exports does not seem to need support from NESC. In aggregate figures, this cushion (currently over 75% of the overall regional exports) diminishes the potential impact of support measures on non-commodity exports, as only a minority (currently less than 25%) of the export basket will be affected with support measures. Therefore, separate accounting for non-(mineral) fertilizers and other non-commodity exports is recommended for outlining.

Focus on markets with tangible export values. The analysis indicates that many foreign markets in many cases report a low value of regional exports by intermittent exporters. Therefore, it is recommended to focus on markets that generate larger export sales for the region, as to facilitate an increase of business in those markets that will bring larger absolute export values to the region. For the case of Novgorod, it is proposed to set US$ 1 million as the attractiveness threshold value for annual exports in a market.

Consider consistent exporters as ones that contribute more to the lead KPI of facilitated export values; therefore, consider them as having a higher potential to become HP clients for intensive support. As indicated in Part 1 of the Report, the sustainability of exports is a strong function of both history and experience. Namely the more consecutive periods (years) of export history a company has, the more chances there are that it will continue exporting and will further develop.

It is important to note that such a focus will be at no discrimination to new exporters or non-exporters; companies in those categories will receive adequate generic and partially intensive support. However, the emphasis on sustainable export generators to invest the support funds in is recommended and possibly to be implemented as a company evaluation criterion for support plan estimation.

Focus on the “missing middle” of exporters with an attempt of turning them into consistent exporters. The region is currently facing a shortage of mid-sized consistent exporters which are the key group to respond most effectively to support measures in terms of the lead KPIs of facilitated export values and the number of consistent exporters. Focusing on their needs would help NESC demonstrate sustainable results for increasing exports of the region.
5.6 Development of a support cooperation network

As part of the proposed strategy definition, it is recommended to introduce a business process of more close cooperation with the network of export support (REC first of all) so that more generic types of services are systematically outsourced from the network and occupy fewer local resources of the agency.

It is indicated above that, notwithstanding the single window approach and the key role of NESC and REC for the regional export support activities, NESC, as well as other local BSOs, are only a part (the bottom right quadrant) of the BSOs’ universe in Russia.

It is often difficult for companies, especially for SMEs, to identify and correctly approach the right counterparts for support. Having established relations and a good level of working contacts, NESC could help companies receive benefits from other counterparts.

It is also worth noting this is insufficient to merely redirect companies to other organizations. Therefore, a well-established business process with proper staff allocation and follow up capabilities is recommended.

![Diagram of support network topology for Novgorod](image)

* Lists of these types of organizations are wide and change with time, only some of the most representative examples of the group are enlisted.
5.7 Sector / client segmentation approach

In order to reach more efficiency, it is recommended to implement a sector/client segmentation approach so intensive support can be received by more appropriate clients enabling them to further provide scalable and sustainable export flows.

The approaches to segmentation can be manifold. We recommend considering the following:

- Export readiness approach, so that more intensive support is provided to clients that are at a more advanced stage of export readiness. This approach requires the development of a respective business process.

- Regional impact approach, so that more intensive support is provided to clients from those businesses that are more sustainable and scalable in the region. This approach requires the development of a respective assessment process.

- Sector attractiveness approach which corresponds to the study conducted recently by the regional Government. This type of analysis is briefly discussed in the report. It is also possible to enhance the approach with the RCA and Product Space sector analysis.

The practical routine of segmentation may be a superposition (e.g. via weighting) of the above criteria or it may also include additional considerations of involved practitioners.

5.8 Formalization of master business processes

It is recommended to organize the sequence of export support procedures for a client company as a business process.

An illustrative master chart of the process is shown below.
The indicated flow chart is a master process and can be relatively easy to adjust for a variety of specific practical needs of a support agency.

Performing the implementation of such a business sequence is a higher-level task which may embrace and head most of the above-recommended actions and, in the effective end, is an applied representation of the strategic approach to a client support concept. Its implementation is justified and feasible only after the first line recommendations are fulfilled; a support strategy is defined, and both the intensive support concept/sector and client segmentation approach are adopted.
6 ANNEX: Good international practices in export support

The practices described in this section were specifically selected to highlight measures and activities that the best export support organizations implement to help. It should be noted that the described cases may be relevant to several sectors/segments of Novgorod companies in terms of supporting their exports.

6.1 From event-centric to client oriented

6.1.1 Australian and New Zealand agencies’ client-centered strategies

There has been an increasing trend in leading trade and investment promotion agencies to be more client-oriented than the classic service and event orientation. In the past, agencies looked at organizing training or promotional events (mostly missions and trade fairs) and then invite the private sector to participate in those events. Experience has indicated that oftentimes the companies that participated in those events did not produce the intended results as, among other factors, they were not ready or the most adapted to the event and/or market; or were not sufficiently committed. Squeezed between the double pressure of fiscal constraints, with the subsequent limitations in the allocation of resources to the agency, and the need to produce and demonstrate results, the best-managed agencies have gradually evolved to concentrate their efforts and resources in those clients that have the highest potential to produce results. This trend has been fully recognized by ITC in its set of best practices included in the Benchmarking model of assessment\(^\text{26}\). Understanding client needs and measuring client satisfaction with the agency’s support programs and services are some of the key complementary practices. Services are then designed to fit the needs of the beneficiaries. Segmenting clients and adapting the service offering to different segments of clients were the natural evolutionary processes of those leading agencies.

The Australian Trade and Investment Commission (AUSTRADE) clearly recognizes the need to place clients at the center of all their activities. In addition to using client satisfaction surveys, the Australian agency is now looking at using big data and data analytics to improve the delivery of their services to clients, expand their reach and deepen their impact.\(^\text{27}\)

NZTE is another agency that has clearly identified clients as being the center of their activities and services. The reference below provides a snapshot of how the organizational structure is very innovatively described with clients (“customers”) at the heart of everything the agency does.\(^\text{28}\)

\(^{26}\) See [www.tisibenchmarking.org](http://www.tisibenchmarking.org)


\(^{28}\) See organizational description at NZTE web site: [https://www.nzte.govt.nz/about/our-organisation](https://www.nzte.govt.nz/about/our-organisation); accessed 4 March 2018.
6.2 Assessing and using export readiness to segment clients and select services

6.2.1 NZTE’s client management system

New Zealand Trade and Enterprise (NZTE) goes a step further in terms of putting clients at the center of all its activities. The agency uses the concept of “export readiness” as one of the criteria for segmentation and selection of its clients. In its Annual Report 2016-17, the agency clearly states that their aim is to “...work with the right companies at the right time in their life cycle to help them grow bigger, better and faster”.29 To achieve the most impact, and to use resources most effectively, NZTE has classified customers depending on their level of export readiness, stage in the process of internationalization and their level of export potential. NZTE starts by first understanding the clients’ business and their challenges, to later develop a tailored internationalization plan. A key part of this process is the principle that customers commit to target markets, which drives the allocation of NZTE resources. The more customers target a market, the higher the proportion of resources NZTE allocates to support that market. To achieve the most impact, and to use resources most effectively, NZTE classifies customers in Focus, Build and Start segments:

- **Focus** customers are companies that have growth aspirations and the ability to compete internationally;
- **Build** customers are already exporting and want to learn how to be a better exporter;
- **Start** customers generally want to get a better understanding if exporting is right for them and how to take the first step.

NZTE has experienced excellent results with this client management system and its HP clients have achieved export outcomes that are consistently higher than the average of the economy.

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6.3  Supporting sectors or groups of exporters through associative programs

6.3.1  PROCOMER of Costa Rica: Associative Models of Export (AME)

PROCOMER is the trade promotion organization of Costa Rica. The agency has been recognized by the Benchmarking Program of the International Trade Centre of Geneva as the top performing trade promotion organization in the world. Associative Models of Export are one of the most interesting instruments introduced by PROCOMER in 2015 to multiply its capacity to support the internationalization of SMEs in a particular sector or value chain.

AMEs are voluntary alliances of companies that agree to jointly develop, promote and export their goods or services. The model is simple and implemented under four basic principles:

1. Commitment: participants adhere to the scheme on a completely voluntary basis but should demonstrate their total commitment to the group’s objectives and business plan;

2. Flexibility: although AMEs could be sector based, the composition of the group could be different, including competing companies that agree to cooperate on a specific objective like sector branding as well as complementary companies or companies from a specific sector or value chain that do not necessarily compete with each other, but may target the same market objectives;

3. Empowerment: the agency facilitates the process, but the process is driven by the companies themselves who agree on a common business plan; the business plan takes advantage of the agency’s existing services and support mechanisms but may go beyond with additional actions fully funded by the members;

4. Results measurement: the process includes the regular monitoring of results and evaluation of performance to correct and adapt the business plan as necessary.

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30 See [www.tisibenchmarking.org](http://www.tisibenchmarking.org)
PROCOMER facilitates the establishment, consolidation and activities of the AMEs through a four-stage process:

<table>
<thead>
<tr>
<th><strong>Stage and actions</strong></th>
<th><strong>Objectives</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage 1: Awareness and recruitment</strong></td>
<td></td>
</tr>
<tr>
<td>Recruitment</td>
<td>Select a list of potential member companies</td>
</tr>
<tr>
<td>Diagnosis</td>
<td>Determine each company’s level of business maturity and export readiness; strengths and weaknesses; experience in international markets and vision</td>
</tr>
<tr>
<td>Selection of members</td>
<td>Confirm the commitment and capability of each company and select the final list of members that would be able to fully participate in an internationalization plan</td>
</tr>
<tr>
<td>Training plan</td>
<td>Develop a common training program that would put all AME members on the same level of export capability</td>
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<tr>
<td><strong>Stage 2: Formalization and structure</strong></td>
<td></td>
</tr>
<tr>
<td>Designation of promoter</td>
<td>Agency designates a staff that will facilitate the initial formalization and consolidation of the group</td>
</tr>
<tr>
<td>Strategy</td>
<td>Define a common strategy with its macro-objectives, mission and vision for the group</td>
</tr>
<tr>
<td>Statute and regulations</td>
<td>Develop and approve the group’s governance, statutes, internal procedures and other operating regulations</td>
</tr>
<tr>
<td>Management</td>
<td>Appoint an Export Manager who will drive the internationalization plan of the group</td>
</tr>
<tr>
<td><strong>Stage 3 Planning</strong></td>
<td></td>
</tr>
<tr>
<td>Production capacity</td>
<td>Identify the production and export capability of each company</td>
</tr>
<tr>
<td>Target markets</td>
<td>Select the most promising target markets for the group</td>
</tr>
<tr>
<td>Business objectives</td>
<td>Define short and long-term business goals for the group and for each member</td>
</tr>
<tr>
<td>Internationalization plan</td>
<td>Define and approve an internationalization plan. The plan includes its indicators of performance at each stage and for short-term and long-term goals.</td>
</tr>
<tr>
<td><strong>Stage 4 Consolidation</strong></td>
<td></td>
</tr>
<tr>
<td>Identification of opportunities</td>
<td>Identify specific business opportunities for the companies of the group</td>
</tr>
<tr>
<td>Promotional activities</td>
<td>Determine the promotional actions (trade shows, missions, visit programs, etc.)</td>
</tr>
</tbody>
</table>
Table 11 Staged facilitation of AMEs

PROCOMER provides its standard set of services at each stage of the AME process as necessary and applies its standard result measurement system to monitor advances on short-term goals and on the achievement of the long-term objectives, mainly export sales and profits.

The program has allowed PROCOMER to increase and diversify the number of companies/products and sectors that it promotes as well as the number of new markets that it has been able to open for its clients. The program has been allowed to incorporate companies that would not normally participate in international business due to their lack of resources or individual capacity to undertake export development and export promotion. By joining forces with other players, SMEs have been able to share the costs of promotional activities and, in some cases, increase their bargaining and negotiating power against foreign partners or buyers. In other cases, the groups have been able to profit from their collective branding and differentiation relative to other international competitors.

The main lessons learned during the implementation of the program so far are:

- In general, the best performing groups are those that gather companies with similar size and, above all, with similar levels of maturity or export readiness. This facilitates understanding and planning of common activities.

- Small groups of companies work better as it is easier to reach an agreement within a smaller group of participants.

- It is important to set short-term goals or lead indicators of performance, to monitor advances towards the long term (sales) goals and to reinforce the commitment of the participating companies.

6.3.2 NZTE Coalitions enter and develop a foreign food and beverage market

NZTE works with groups of New Zealand companies who have formed coalitions to pool their knowledge, experience and capability and effectively share risks and costs of establishing an in-market presence. NZTE defines coalitions as groups of companies who collaborate to compete, working together to share knowledge, expertise and technology to bolster their chances of long-term success. One of those coalitions has been created around the need to establish a local presence in a target market. Establishing a local presence is often an important stage in the process of expanding the sales and profitability of a company in a foreign market. However, registering a legal entity in-market and locating their own people on the ground involves a high level of risks and investment in time and resources that few SMEs can afford.

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31 Glen Murphy, NZTE Regional Director, Greater China, September 2017

This has been particularly true in China where many companies didn’t get it right and failed. One way that businesses can mitigate the risks and reduce the level of costs at this stage in their international growth is through collaboration.

An example of this approach is Primary Collaboration New Zealand (PCNZ) based in Shanghai. PCNZ established a legal entity in Shanghai in 2014. The original companies involved were a group of New Zealand’s well-known food and beverage companies: Sealord (fish and seafood), Synlait (dairy products), Silver Fern Farms (meat), Mr Apple (fresh apples), Bostock NZ (fresh organic fruits and vegetables), Freshmax (fresh fruits), Kono (seafood, beverages, processed food) and Villa Maria (wines).

Based in Shanghai, PCNZ established an in-market sales and marketing office for the group. Being part of the coalition and sharing the costs of their own staff on the ground has helped individual member companies:

- PCNZ engaged an experienced ‘foodie’ to represent one of their members in the high-end foodservice channel. Over 18 months the business in this channel grew from zero to NZD$12 million, with a margin of around 30% higher than the traditional business lines.

- One member’s importer started distributing a product that was found to have quality issues and, without consultation, promised their customers a refund of US$ 48,000. Having a PCNZ representative on the ground meant the coalition member quickly understood the size of the issue, responded to keep the customers happy and reduced the refund to only US$ 8,000.

- Another member mostly operated through wholesale markets in China meaning they had no line of sight to the end customer or even to retailers. PCNZ helped move large parts of their business to direct engagement with retailers and e-commerce partners. This move has increased value capture and allowed the member to gather valuable insights from channels and consumers that now influence their marketing campaigns and strategies.

These are examples that demonstrate the value of having people in-market and, specifically, the value of the PCNZ coalition to each of its members. However, PCNZ members are also creating collective impact through joint in-market promotions and sharing market knowledge to support each other.

Getting people in-market under the PCNZ entity has enabled sustainable growth to the point where some of the original member companies have now established their own trading entities. The lesson has been that collaboration works. As a result, other New Zealand companies have recently joined the coalition and are recruiting their first people on the ground. NZTE has supported PCNZ since the beginning and continues to view the collaboration model as a good way for New Zealand companies to reduce the costs and risks of establishing a presence in a new market.

6.4 Supporting ICT sector companies to enter a highly competitive market

6.4.1 “Go Silicon Valley” program of Advantage Austria

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The “Go Silicon Valley” program is an export development initiative run by Advantage Austria and the Federal Ministry of Science, Research and Economy. It was designed by Advantage Austria and initiated in 2009 to help small- and medium-size Austrian IT companies break into the US market.

Austria’s IT companies are typically SMEs which concentrate on the Austrian market and other German-speaking countries. Their products are quite well developed but they lack the readiness to go global or exploit their full market potential. Through the “Go-Silicon Valley” program, Advantage Austria partners with the business accelerator house, Plug and Play Tech Center, in Sunnyvale, California, to provide participants with a period of immersion in the Silicon Valley environment. Each year up to 20 companies send key managers to complete a 3-month program where they learn to understand the business culture, assess market opportunities and develop their skills in pitching their product or service to potential customers, business partners or investors. The dynamic environment of Silicon Valley, with its knowledgeable and supportive venture capital and business angel investor community, enables them to learn to “speak the Silicon Valley language”. This would help them to better understand what the market wanted, learn to react quickly to new ideas and opportunities, gain greater visibility, connect more effectively and perhaps most importantly, to learn the process of making their sales pitch concise and effective for busy people faced with a constant stream of competing offers.

Plug and Play Tech Center in Sunnyvale California is one of the top business accelerators in Silicon Valley, with a strong track record since 2006 of matching start-ups with corporations through its industry networking events, education and immersion programs, quarterly EXPO pitch events and developer events. It has a global network including 300+ tech start-ups, 180+ investors, government agencies, private corporations, technology incubators and universities. It partners with a number of international trade development agencies and since 2009, its Start-up Acceleration Program has accelerated over 250 high-tech start-ups from over 20 countries.

Advantage Austria draws on its relationships with VCs and Silicon Valley corporations to appoint a selection jury. Two US Venture Capital representatives, one representative of Plug and Play Tech Center and one representative from Advantage Austria Los Angeles, travel to Austria to listen to 10-minute pitches from 60 to 80 applicants. Selection is based on the jury’s assessment of the novelty of the business idea (from the US market viewpoint); the scalability of the business idea; and the suitability of the networking environment provided by the business accelerator. Successful applicants are enrolled for one of four calendar quarters. However, there is flexibility in allowing them to switch to an alternative quarter if their market situation changes.

Typically, one to two representatives of each company takes part in the program. Co-Founders or CEOs are preferred as far-reaching strategic decisions have to be made continually during their stay. To help them prepare for the “culture shock” and to optimize their stay, participants attend a pre-departure one-day workshop in Vienna to learn more about Silicon Valley business culture. On arrival in Sunnyvale, participants begin their stay at the business accelerator with a four-day induction program giving them an overview of the Silicon Valley business environment and an introduction to writing business plans and techniques for business development, fundraising and pitching. For the remainder of their stay, participants focus on networking opportunities within and outside the business accelerator. They have full-service office space and the support of mentors and advisors. There is a busy program of business skills workshops, numerous business events and introductions to corporate, investor and technology partners. Towards the end of the period, each company has the opportunity of presenting its business idea to a group of around 70 investors (VCs, business angels and corporate investors) at Plug and Play’s
quarterly EXPO showcase. Workshops and coaching sessions held during the program help participants to practice and polish their presentation skills and “elevator pitch”.

Throughout their stay, executives from the Los Angeles office of Advantage Austria monitor progress and help participants to define or revise their goals and plans to use networking opportunities. Results to date show that participating companies improve their competitiveness. Managers improve their pitching skills, are less risk-averse, show more openness and acquire useful contacts in the US market. Several companies that had previously tried in vain to sell to large US businesses were successful in initiating contact with the right people during their stay. There is a general sense that everything that needs 6 months to forever via email from Austria can be achieved in two weeks on the ground in Silicon Valley.

An additional measure for success, although medium term (i.e. within one year after finishing the program), is whether the former participant has set up a subsidiary in the US. Virtually all companies have been successful in finding strategic or channel partners. Of 42 companies participating in the program between 2010 and 2014, five companies have set up US subsidiaries and one company was acquired by an investor for an undisclosed sum. Several companies have attracted investors of risk capital. For example, Amidzad, the investment arm of Plug and Play, screens all incoming companies and has offered several Austrian companies investments from US$ 50,000 to US$ 100,000.

6.4.2 “Impact USA” Program of Business France

France’s “Impact USA” program is addressed at understanding the market conditions and tailoring the services offered to a specific export market. The program is a 20-week acceleration program led by Business France and Bpifrance for high growth French technology startups. The program focuses on obstacles faced by firms wishing to enter the U.S. market, including adopting a tailored market strategy, market positioning, engaging in and closing deals, and revenue growth. Participants are partnered with successful entrepreneurs and market experts in Silicon Valley or Silicon Alley. They are introduced to potential clients and partners and pitch their offers to prospects, investors, influencers, entrepreneurs, or media outlets. Since its launch in 2014, Impact USA has led to more than 200 U.S. sales contracts. 80 percent of the program’s alumni are now established in the U.S., they raised 147 million dollars post-program and increased their workforce by 50 percent.

6.4.3 ICEX Spain Tech Center

The Spain Tech Center (STC) looks at fostering innovation by exposing young firms to inspirational ideas, business models, and potential partners. The program, organized by Spain’s trade promotion agency, ICEX, in partnership with the Ministry of Energy, Tourism, and Digital Agenda, provides technology SMEs with assistance in the early stages of development. The Orientation Program is a free course offering early-stage startups and entrepreneurs with a project or idea with real-time webinars from the headquarters in Silicon Valley. Firms in Spain receive a general understanding of Silicon Valley’s ecosystem and insights on pitching, business style, fundraising, and startup strategy. The Validation Program is aimed

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at startups interested in validating their firm with experts in Silicon Valley and getting direct feedback on their business model. Finally, tech SMEs with proven traction can apply for the competitive Immersion Program which takes place in Silicon Valley. The program includes expert pitch training; workshops on a range of topics, including market strategy and funding operations; mentoring from successful Spanish entrepreneurs in the area, local experts, executives, entrepreneurs, and investors; networking opportunities; and business etiquette recommendations. STC also offers support for Spanish entrepreneurs interested in the programs, events and meetups aimed at helping Spanish entrepreneurs network in Silicon Valley. Since its founding in 2011, the program has helped over 700 entrepreneurs and 500 companies. 85 percent of the companies of the Immersion Program have U.S. companies while 43 percent opened an office or relocated to the United States.

6.5 Supporting the promotion of health service exports

Rising medical costs in advanced economies and limited medical service availability in low-income countries are boosting the exports of services through “medical tourism”. Countries with a strong domestic health system based on a solid high-level medical education have built on these factors to cater to foreign patients. Service promotion exports focus on ensuring a high-quality offer and marketing efforts to attract affluent foreign patients, complemented with measures to reduce regulatory barriers limiting health tourism.

6.5.1 Support for health service exports in India

India’s Department of Commerce, for instance, has undertaken several initiatives to promote health service exports. A National Medical and Wellness tourism board was constituted to develop strategies to attract tourism, and to ensure the necessary institutional framework. The Ministry of Health engaged in the accreditation of hospitals. The Ministry of Tourism brochures advertise medical procedures provided and promote hospitals as “centers of excellence.” The Department of Commerce has been collaborating with other agencies to ease visa requirements for medical tourists. E-visas are available for international travelers visiting India for medical treatment. Medical or “M” visas are valid for a year and are available for the patient as well as the patients’ companions. Medical tourists may be eligible for government assistance to expedite visa procedures in some cases.37

6.5.2 Support for health service exports in Jamaica

Jamaica has focused on attracting foreign investment and expertise to step up its medical capacity with an aim at attracting the US and European patients. Jamaica’s trade promotion agency (JAMPRO) has focused its efforts on marketing and branding, including through leveraging the Jamaican diaspora around the work, as well as ensuring that its health services offer is on par with the highest international standards.

standards. Seeking to bring the country increased recognition in terms of quality and reliability of its facilities, Jamaica sought to include Medical Laboratory Accreditation to the ISO standard\(^{38}\). JAMPRO has been working with the health ministry to facilitate issues such as health insurance portability. In 2016, the agency hosted a medical tourism forum in DC and Atlanta, seeking to form relationships between local medical professionals and their counterparts that will lead to the expansion of their health sector\(^{39}\) (JAMPRO 2016). A series of lectures on medical tourism were also held locally, aiming to increase the number of local investors in the sector, while highlighting the opportunities available for local practitioners. In 2015, a state-of-the-art private hospital opened, which was granted international certification in quality and environmental management.

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