



ANAIS

INDIRECT PUBLIC FUNDING AND SUPPORT FOR THE INTERNATIONALIZATION OF SMALL AND MEDIUM SIZED ENTERPRISES IN GERMANY: STUDY ON THE “MARKTESCHLISSUNGSPROGRAMM FUER KMU”

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RESUMO: Desde o milagre econômico da Alemanha Ocidental e a contínua resiliência da economia alemã na sequência das crises financeiras globais dos anos 2000, o modelo alemão de PMEs tornou-se cada vez mais relevante nos estudos de formuladores de políticas públicas em todo o mundo. Entre as razões pelas quais o "Mittlestand" é creditado como a "espinha dorsal" dessa resiliência econômica deve-se a sua contribuição na taxa líquida de exportação e seus efeitos no emprego e na renda familiar. Portanto, este documento visa expor e contribuir para a discussão do financiamento público indireto e apoio à internacionalização das PMEs na Alemanha, analisando seu principal projeto, o "Markterschlissungsprogramm fuer KMU", financiado pelo Ministério Federal para Assuntos Econômicos e Ação Climática (BMWK). Este documento apresentará brevemente a relevância das PMEs na economia alemã, assim como a estrutura e a organização burocrática que compõem o projeto para fomentar a internacionalização das PMEs. Por fim, será apresentada uma breve análise sobre a relevância do projeto em seus primeiros cinco anos de existência, juntamente com as considerações finais.

PALAVRAS CHAVE: PMEs; Emresas Mittelstand; Internacionalização; Agencias de promoção à exportação; Ligações internacionais com o desenvolvimento econômico

ABSTRACT: Since the economic miracle of West Germany and the continuous resilience of the German economy in the wake of global financial crises of the 2000s, the German model of SMEs became increasingly more relevant in the studies of policymakers worldwide. Amongst the reasons why the "Mittlestand" is credited as the "backbone" of that economic resilience is due to its contribution in the net exports rate and its effects in employment and families income. Therefore, this paper aims to expose and contribute to the discussion of public funding and support for the internationalization of SMEs in Germany, analyzing its main project, the "Markterschlissungsprogramm fuer KMU", funded by the Federal Ministry for Economic Affairs and Climate Action (BMWK). This paper will briefly present the relevance of SMEs in the German economy, as well as present the structure and bureaucratic framework that structure the project to foster the internationalization of SMEs. Finally, a brief analysis on the relevance of the project in its first five years of existence will be presented, along with the final considerations.

KEY WORDS: SMEs; Mittelstand companies; Internationalization; Export promotion agency; International linkages to economic development



ANAIS

1. INTRODUCTION

International trade is the primary form of peaceful interaction between nations. Its existence traces back from centuries and can be seen as a thermometer for measuring the size and influence of a given economy in the world. The internationalization of an economy means a wider range of goods and services on the global market, both in variety and competitiveness. At internal levels, internationalization can be seen as synonymous to an increase in demand, accompanied by capital surplus, which in turn can be used for new investments, salaries, and improvements in the local quality of life.

The pursuit of commercial internationalization is a commonplace project of policymakers. Even before the mercantilist era, known as the cradle of international capitalism, trade routes were formed to provide a new range of products and services. As nations, the productive and trade systems evolved, governments developed international monetary and domestic financing systems to enable domestic companies to reach international markets (EICHENGREEN, 1996).

Germany is one of the pioneering countries in the public effort to build domestic capacity and enable a favorable international ecosystem. Especially since the post-World War II period. By enabling economic integration between nations and providing support for the national business community to position itself competitively in foreign markets. Their unique effort towards SMEs, coined as “Mittelstand” is credited to result in West Germany’s Economic Miracle and to be the “backbone” of the German economy. (PAHNKE, 2022)

In 2012, under Chancellor Angela Merkel, the then German Federal Ministry of Economics and Energy (BMWi), now the German Federal Ministry for Economic Affairs and Climate Action (BMWK), presented a new funding project focused on the internationalization of small and medium-sized enterprises in innovative markets. The project relies on a robust network of German chambers and partner offices set up around the globe that offer propositions in the form of business opportunities for German companies, while the Ministry provides the funding to enable the research and insertion of these companies with the same penetration rigor as large multinational enterprises (MNEs). (RICHARD, 2007). The program supports around 150 projects in different countries and innovative industries annually. Funding around 10 million euros and generating 107 million euros to approximately 1.500 German SMEs overseas. The focus on SMEs also represents a government policy to tackle unemployment and families income related issues due to its intrinsic relation between firms and households (GTAI, 2023).

While working closely with international trade and publically funded projects in a chamber of commerce mainly focused on the Brazil-Germany interaction. I noticed that, although there were a number of Brazilian initiatives to promote the internationalization of national companies, the structuring of projects, objectives and implementation methods were completely different between the two countries. Therefore, I began to delve more and more into the details about the structuring, follow-up, and execution of these projects, since their results point to a high effectiveness of public investment with positive effects for the development of SMEs, employment, families income and growth of the German GNP. In my



ANAIS

research I was faced with the great challenge of finding academic works that could elucidate in depth about the project. Therefore, this paper aims to clarify the theoretical framework behind such a project as well as the infrastructure and support needed for such a program.

The goal of this paper is to present and analyze the program for internationalization of SMEs in Germany, specifically the “Markterschlissungsprogramm fuer KMU”. Funded by the German Federal Ministry for Economic Affairs and Climate Action, aimed to open international markets in innovative sectors. The methodology includes bibliographic research and first-hand experience, as well as interviews with professionals directly involved with years of experience in organizing and carrying out the program.

2. THE INTERNATIONAL MONETARY SYSTEM

The first approximation to the theme originates in the international monetary system approach, which guides exchange, monetary, and financial relations between economies.

The functioning of the international monetary system imposes a constant governance by the countries regarding corporate financing policy. Therefore, to better understand the motivations for the creation of the project studied in this paper, a brief historical review of the international monetary system is needed, with emphasis on the interwar period and the Bretton Woods System. In both cases, one can notice a united international effort of cooperation to combine monetary stability with the growth of the booming economies of the time. The effort intensifies as the economies move from floating exchange rates to monetary unification. Specifically, looking at Germany, one can highlight the case of the "Snake," which was a method of cooperation by which the countries of the EEC (European Economic Community), created a customs union to integrate the economies of the region, in hopes to achieve geopolitical and economic stability in the face of dollar instability.

The Werner report, published in 1969 by the EEC summit, highlights the advantages of international economic integration and the protection it offers as a natural hedge to provide currency stability, without the need to create a single currency or a European Central Bank, but rather the union of different Central Banks to ensure hegemony in convertibility and concordance between monetary policies. Over the same period, it is possible to note the increasingly clear role of the German Bundesbank as the European "Big Bank", that is, as the strong currency Central Bank that stabilizes weaker currencies and fosters development in the region. As a result, it became clear that the development of the international monetary system imposes a constant governance by the countries with regard to corporate financing policy, which is a crucial instrument for the realization of the international monetary system as we know it today (EICHENGREEN, 1996).

Germany is one of the forerunners in the public endeavor to internationalize its economy focused on Small and Medium-sized enterprises, to strengthen its domestic capabilities. Particularly during the cold war era, when the turmoil of the occupation of the country imposed several challenges to GDP growth and monetary stability. The German SME model soon became a variety of its own. The “Mittelstand” is a cluster of SMEs to which the unity of ownership and management results in a more flexible and highly competitive firm model. Through that model, Germany was able to foster various hidden champions in



ANAIS

Business-to-Business interactions, gaining the reputation of the “Made in Germany” as a synonym for good quality products and reliable and long-term minded partners. (BERGHOFF, 2006)

3. IMPORTANCE OF SMES IN THE GERMAN ECONOMY

First and foremost, it is important to point out that the German model of small and medium-sized enterprises has singularities that differentiate it from other SME classifications and go beyond simple categorization such as turnover and number of employees, for exampleⁱ. For this reason, some authors choose to call the German SME model "*Mittelstand*"ⁱⁱⁱ, although there is still no globally legal or academic consolidated definition. Nonetheless, the question of how *Mittelstand* enterprises may be accurately identified, however, is the subject of an active and somewhat contentious academic debate. Some authors like Pfohl, Panhke and Hausch propose extensive lists of parameters for identifying *Mittelstand* businesses. Although such lengthy criteria lists are of little utility in practice due to the exceptionally high data requirements needed to distinguish *Mittelstand* from non-*Mittelstand* enterprises. Other research concentrates on fewer, more crucial aspects. Other authors, such as Icks (2006) proposes a rather more qualitative list or essential characteristics, such as, the cohesion of the firm and its management's economic existence as well as responsible governance and involvement in all decisions pertaining to corporate strategy from management. In fact, all definitions emphasize the importance of a company's ownership and management being able to unite towards steady and innovative business models with the goal of emerging as a hidden champion in its respective niche industry (PAHNKE, 2022). In fact, one of Germany's top institutions on the subject, the *Institut fuer Mittelstandsforschung Bonn*ⁱⁱⁱ (IfM) states in their definition the following:

Mittelstand enterprises are defined by the unity of ownership and management. IfM Bonn has operationalized the definition of Mittelstand companies as follows: In a Mittelstand enterprise up to two natural persons or their family members hold (directly or indirectly) at least 50% of the shares of the company, these natural persons belong to the management. (IfM BONN, 2023)

For practical reasons, the EU commission, and therefore Germany, ends up defining what SMEs are based on their quantitative characteristics. This makes it possible to draw a simple and straightforward parameter as to which companies are entitled to benefit from projects for their respective business categorization. Thus, SMEs are companies with an annual turnover of up to 50 million euros and a total of up to 249 employees. It is also possible to categorize SMEs into subgroups, as shown in figure 1 (EUROPEAN COMMISSION, 2003). In 2020 the total of all companies in Germany were divided in 2.881.296 micro enterprises (85,4%), 383.712 small enterprises (11,4%), 86.266 medium-sized enterprises (2,6%) and 23.309 large enterprises (0,7%) (IfM Bonn, 2021).



ANAIS

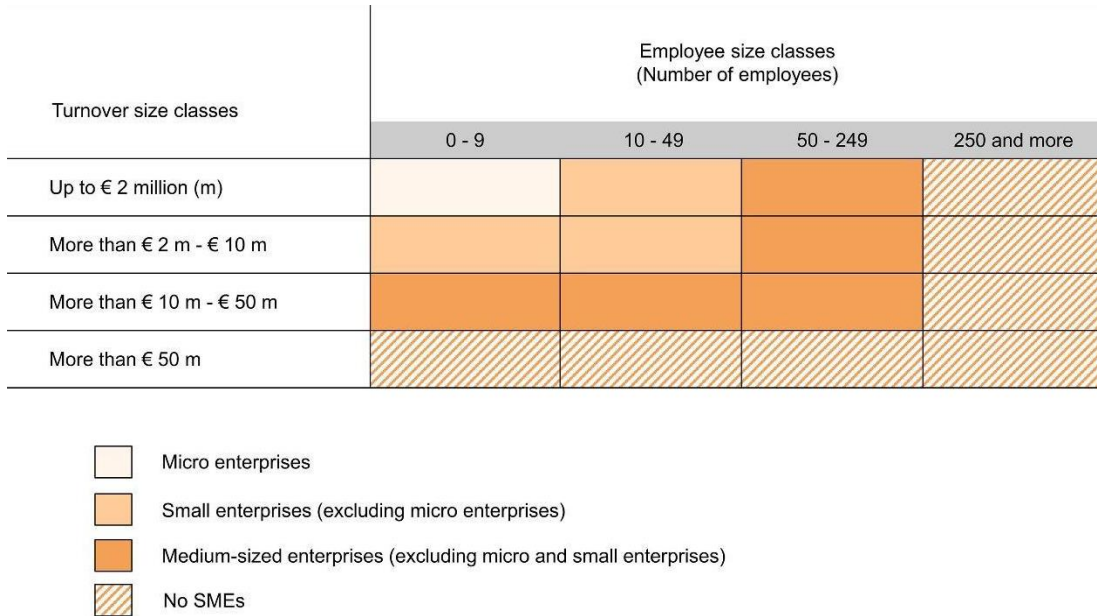


FIGURE 1. SME definition of the European Commission (2021)
Source: IfM Bonn (2021)^{iv}.

As an overview of the importance of the SMEs in the German economy. The country has around 3,35 million SMEs. Thus, representing 99.3% of all companies in the German private sector. They generate more than 2 trillion euros and thus 36,8% of the total turnover of companies in the country. Overall, SMEs contribute to approximately 60% of the total net value added to all companies. Employing more than 19 million people (over 54% of all employees). They also invest more than 7 billion Euros annually in R&D. And, perhaps the most interesting statistics for this paper, they are responsible for around 16.8% of the German export turnover total (approx. 207.4 bn €). (IfM BONN, 2020).

The Mittlestand, became a significant object of study and emulation for policymakers worldwide (PAHNKE, 2019) due to its importance in the West Germany’s economic miracle (Berghoff, 2006) but also for the resilience of the German economy in the wake of financial crises since the 2000s^v thus being often credited as the “backbone of the German economy”. Nowadays being a *Mittelstand* executive is also a status symbol and a personification of the “made in Germany” reputation. In a matter of policy making, Mittelstand policies also became a strong argument against industrial policies, focused on the creation of large corporations (hidden champions) and protect them against foreign competitors. (BERLEMANN, 2021)

4. THE “MARKTERSCHLIESSUNGSPROGRAMM FUER KMU”

Created in 2012 by the then German Federal Ministry of Economics and Energy (BMWi), now the German Federal Ministry for Economic Affairs and Climate Protection (BMWK). The program is a partially public funded project designed to support the internationalization of small and medium-sized enterprises (SMEs), self-employed persons and freelancers in the commercial sector as well as business-related service providers in



ANAIS

innovative industrial and service sectors. The program supports a variety of activities centered in three main components: Preliminary Assessment: This is an initial consultation that helps SMEs assess their international market potential and provides guidance on how to develop an export strategy. Individual Measures: This component provides funding for individual market entry and development measures. The program covers up to 50% of the costs for activities such as participation in trade fairs, market studies, and business matchmaking. Group Measures: This component provides funding for group market entry and development measures. This includes group participation in trade fairs, delegations, and market research tours.

In 2022 the program supported around 100 projects in different countries and industries annually. Providing around 12 million euros for a return of 125 million euros to approximately 2.050 German SMEs. (GTAI, 2023).

4.1. Institutions involved

The funded projects are geared to the needs of the business community and are prepared and tailored to specific topics and countries. By participating in projects, companies receive target market and industry information and support in business to business negotiations with local companies and institutions. The goal is to establish and expand business networks, solidify long term commercial relations with potential business partners in the target country, and learn about reference projects. In order to fulfill said goals, with the utmost efficiency of resources, the project relies on the collaboration of four different institutions, each with its own objective.

The responsibilities of the institutions towards the project can be categorized mainly as: the attraction of German SMEs to participate in the project as well as the supervision of the project, organized by the “Germany trade and Invest” (GTAI) institution; elaboration of specific informational material and support with local expertise in the target country, which is the responsibility of the respective German Chamber of Industry and Commerce (AHK) or a private authorized partner office in the respective target country; financing, and financial control and supervision of the project, under the responsibility of the Federal Office of Economics and Export Control (BAFA). Both the GTAI and BAFA are institutions under the German Federal Ministry for Economic Affairs and Climate Action (BMWK). The first being the arm of foreign trade promotion agency, overseeing the execution of the program as a whole, except for the financial control, which is under the control of the financial-administrative arm of the institution, BAFA.

Though interviewing professionals responsible for the project at the German-Brazilian Chamber of Commerce and Industry, it is possible to better understand the structure behind such projects. The AHKs (German Chambers around the world) and the private authorized partner offices are responsible to identify opportunities for German companies in their respective local markets. Once an opportunity is identified in an innovative market, the respective institution sends a project idea to GTAI. This document consists of a preliminary study of the market highlighting the opportunities for German technologies in the form of a SWOT analysis, an approval by the German general consulate in the specific country



ANAIS

clarifying that the project is in line with the government foreign intentions^{vi}, as well as a signed support letter from German associations specified in the corresponding industry.

Once the idea is approved by GTAI, the BMWK launches a bidding process in which all authorized offices are allowed to apply. This means that not necessarily the institution that presented the idea is going to carry on with the project but rather the institution that offers the best expertise to price ratio. The expertise is proven by the applying office with a document that ranges to usually 50 pages containing a brief presentation of the institution, the CV of the professionals that would be involved in the project, the support of expert associations and institutions in the target country as well as a preliminary project agenda. The projects are selected on a bidding process and, after the approval from the GTAI, the project is listed in a public platform and the resources are pre approved for companies to apply. (GREBE, 2016)

The GTAI is then responsible for gathering german SMEs and, together with the AHK and a german partner company specialized in the market to determine if the SME has a suitable solution for the theme of the project. After a predetermined number of companies apply for the project (usually ranging between 5 to 12) the budget is then separated by the BMWK to be used by the respective AHK or office in the target country to organize the project. It is important to remark that the budget varies according to the number of participating companies and the type of project that will be conducted. Then both the GTAI and the BAFA will oversee the winner of the bidding process in the use of the budget as well as the progress of the project. (GTAI, 2023)

After the project is concluded a series of qualitative rounds of feedback are demanded from the companies that partook in the project by BAFA. As well as a detailed report of the project and the costs involved. If BAFA identifies any misuse of the budget or unspecified cost, the amount needs to be reimbursed to the BMW. The qualitative analysis will also serve to evaluate the effectiveness of the program as a whole, as well as the performance of the respective AHK or office in the target county in conducting the project. Also, as mentioned in chapter 2, the concept of “Mittelstand” implies that German SMEs focus on building long term business relations (PAHNKE, 2019). Therefore the feedback rounds occur not only weeks after the project is held, but also after 6 to 8 months and possibly after years to gather significant quantitative and qualitative data. (GREBE, 2016)

4.2. Types of projects included in the program

Due to the fact that the program is targeted to SMEs, in innovative industries located in various different countries. The German government decided to separate the program into six different types of projects, which are offered to companies. The MEP modules cover the key export phases for companies and include the topics "Inform", "Explore", "Present" and "Contact". The modules are: the Informational events in Germany; the Market Research delegation, the Business Initiation delegation; the symposium delegation; the Informational delegation for buyers and associations; and the recently added webinar format. Created during the pandemic of COVID-19 and made possible due to the advancements in online event technology and know-how.

During Informational events in Germany, participants are provided with detailed

ANAIS

information on countries, markets, topics and industries. The market Research delegation offers companies the opportunity to explore business opportunities in difficult or new markets with sometimes opaque structures. Symposium delegations are business trips abroad with a symposium, which are intended to illustrate the performance of German companies from an industry or industry segment and give the participating companies opportunities to expand their network in the target country. Business initiation delegations include trips abroad by German companies for the purpose of initiating business contacts in the target country. The informational delegation for buyers and associations focuses on presenting technologies and services during a three- to five-day trip to Germany. In the case of buyer trips, German products, technologies and services are presented during a three- to five-day trip to Germany to foreign entrepreneurs who are already known in advance to have concrete procurement intentions. (GREBE, 2016)

All projects have concrete objectives and the AHK or partner office that won the bidding process is obligated to honor the objectives of each project. This can range between technical visits to an important research center in a symposium trip or a predetermined amount of “Business to Business” meetings already known in advance to have concrete partnership intentions^{vii}. The respective office is then tasked to schedule all the necessary meetings mentioned in the preliminary agenda, as well as all detailing all the costs and details required by BAFA. The assistance for negotiations and for translation during business to business negotiations, establishing and monitoring export or joint-venture projects; reaching new markets, customers, and ultimately sparing time and resources (compared to the costs and work these companies would have developing a similar project on their own) are also on the pool of obligations assumed by the partner office or AHK. (GTAI, 2023)

Another key contribution to the internationalization of German SMEs covered by the MEP program is the “Target market analysis”. The office which won the bidding process for the project is required to prepare an exclusive target market analysis (usually about 50 to 90 pages long) with information about the local economy, exchange rate, foreign policy, a SWOT analysis on the country, a detailed analysis with interviews and research about the target market market, presenting the potential, possible competitors, partners, trends and demands as well as a SWOT analysis of this specific sector to better guide the companies that will participate in the projects. This information is also held by GTAI for the maximum period of 3 years so it can be utilized to guide German companies that might be interested in the targeted market after the project was concluded. In addition, in the case of a delegation a technical conference or symposium is required in the target country, as well as a briefing section with important associations, political actors and experts at the beginning of the trip. This is an opportunity for German companies to present themselves as well as important players in the target country in order to promote the exchange of scientific and technical knowledge and for networking. (GTAI, 2022)

4.2. Funding and target applicants

As mentioned earlier in this paper, the funding for the *Markterschließungsprogramm fuer KMU* (Market Development Program for SMEs) in Germany is provided by the Federal



ANAIS

Ministry for Economic Affairs and Climate Action (BMWK), which allocates funds to the Federal Office for Economic Affairs and Export Control (BAFA) to control the financial aspects of the program.

The program provides funding for individual and group measures, as well as preliminary assessments, which are designed to help German SMEs assess their international market potential and develop an export strategy. The amount of funding provided to individual SMEs depends on the type of module and the country in which the project is implemented. The program covers up to 50% of the eligible costs for the companies, with a maximum funding amount of €30,000 per project. It is important to state that the most important part of the funding is not directed to the subsidies for the trip itself but for the services and events offered by the AHK or partner office that won the bidding process. Although the values are not open per project. It is possible to estimate the average funding provided per project, dividing the 12 million Euros by 100 projects annually. The result would be approximately 120 thousand Euros per project^{viii} (GTAI, 2023). Another estimation would be from the initial stages of the program in which it had an average funding volume per year of around 4 million Euros in its first 4 years of existence. Dividing by the average number of projects carried out per year of 78,25 (64 in 2012, 95 in 2013, 79 in 2014 and 75 in 2015), the estimated cost per project in the first 4 years of the program was approximately 51.118 euros. A trend representing the satisfaction of the BMWK with the program can be identified as the funding increased through the years as well as the number of projects carried out. In addition, in the same timeframe, the costs of administration, control and content-related support of the program (office/AHK, BAFA, BMWi), administrative and control costs of around 20 % in relation to the funding volume can be estimated (GREBE,2016)

To apply for funding, German SMEs must submit an application to BAFA. The application must include information on the SME's business activities, their export strategy, the target market, and the proposed market entry or development measure. The application is reviewed by BAFA to ensure that the proposed measure is eligible for funding and meets the program's criteria, as mentioned earlier in this paper.

The companies eligible for application are Small and Medium-sized enterprises based in Germany as well as larger companies as long as at least 50 percent of the participating companies must be SMEs and have priority over larger companies. Is considered an SME, companies with less than 50 million Euros in annual sales and fewer than 500 employees. The cost of participation also varies depending on the size of the company. The cost of participation for a delegation is 500 Euros for companies with less than 2 million Euros in annual sales and fewer than 10 employees. 750 Euros for companies with less than 50 million Euros in annual sales and fewer than 500 employees and 1.000 Euros for companies with annual sales of 50 million euros or more or more than 500 employees. The travel and accommodation expenses are not included in this fee and the companies can be eligible to apply for subsidies according to the EU "de minimis regulation"^{ix}. (GTAI, 2023)

If the application is approved, BAFA will provide the SME with a funding decision, outlining the funding amount and conditions. The SME must then implement the measure and provide evidence of the eligible costs, such as receipts and invoices. Once BAFA receives the evidence of costs, the SME will receive the approved subsidy and the local office or AHK



ANAIS

will have access to the budget of one extra company. It is important to note that funding is limited, and not all applications are approved. The program also has specific eligibility criteria that SMEs must meet to qualify for funding. Therefore, it is important for SMEs to carefully review the program guidelines and ensure that their application meets the program's criteria. The staggering of co-payments for delegations abroad by German companies is also viewed positively. These increase the total budget available for the MEP without discouraging participants.

The BMWK's market development program is clearly distinguished from other offerings in the federal funding landscape in that it provides a broad spectrum of foreign trade promotion measures across sectors and target countries in a uniform structure. The offerings of other ministries at the federal level are often either sector-specific or have other objectives. At the level of the federal states, 10 of the 16 federal states have funding programs that overlap with those of the MEP. Differences exist in the breadth of the funding - many state offerings make only a few offers per year or only for selected sectors. (GREBE, 2016)

Overall, the *Markterschließungsprogramm fuer KMU* provides important financial support to German SMEs looking to expand their international business. The subsidies reward companies that have promising solutions and a well structured exports plan. The funding dedicated to the expert services from a partner office or AHK in the local markets is also a fundamental pillar for the project. This form of indirect funding allows the companies to reduce the costs of trial and error and has access to detailed information and connections guaranteed by the BMWK.

From a Keynesian decision-making perspective, the program can be seen as a stabilizing instrument for currency convertibility, i.e., a way of raising confidence in an economy while the decision to invest is not hindered by risk management^x.

An interesting point for Keynesian decision-making is in the entrepreneur's decision to invest, which depends heavily on demand risk. Looking at the MEP Project, it is possible to identify that the modules provide small and medium-sized enterprises to reach new markets and potentially reduce their risk related to lack of demand, thus culminating in decisions to invest either in another country or in the mainland. Thinking about the aspect of government motivations, it is possible to point out that investment decisions foster jobs, income and monetary stability, which culminates in the growth of the German GNP. That is, the strategic function of money, for Keynes, derives not only from its premium for liquidity, but how to follow the production ceiling of a given economy^{xi} (CASAGRANDE, 1993)

5. PERFORMANCE IN THE FIRST FIVE YEARS OF THE PROJECT

The analysis report of the *Markterschließungsprogramm fuer KMU* required by BAFA in 2016 (GREBE, 2016) is a document whose focus is to analyze the data submitted by around 4,000 participating companies in 313 projects. Analyze the data and feedback from each company and evaluate the benefits brought by the first 4 years of the project. In addition, interviews were conducted with companies that participated in the project for a qualitative evaluation of this data (ranging from telephone, online and in person interviews). Experts



ANAIS

from associations were contacted to evaluate the quality of the material produced by the AHKs and partner offices, as well as the trends in each sector. At the end, the paper presents a conclusion on the overall structure and performance of the program. A series of suggestions from the participating companies is also included to continue improving certain aspects of the project and modules.

The proportion of small and medium-sized enterprises that participated in the projects in the first 4 years of the program was 82%, and of this total, 29% are small companies (i.e., companies with less than 2 million Euros in annual sales and fewer than 10 employees).

Summing all the participants mentioned above, the degree of satisfaction with the project reaches an average of 85% (varying between modules). The delegation type modules were the second most successful with 85% satisfaction. 80% of the participants managed to find commercial partners and develop business. The module with the highest satisfaction rate was the informational delegation for buyers and associations, which reached over 90% satisfaction rate. By the time of the study, the Symposium delegation did not have sufficient data to evaluate the satisfaction rate of the module.

When evaluating the economic efficiency of the program. The study remarks that in 2015, the Business initiation delegations module alone generated a total volume of 37 million euros generated for the participating companies. This module costs around 60.000 Euros per project in the BMWK budget. This means a ratio of generated sales to funding volume of 18:1 for this specific module, and around 116.000 euros of sales revenue per participating company. However, only 18% of the participating companies reported job creation in the target country, i.e. the project generated only 110 additional jobs around the globe. The program has produced targeting effects for many participants. To which 58% of the companies surveyed have intensified, adjusted or closed their activities in their respective markets as a result of participation. That is, the program helps to avoid trial and error costs.

The paper also addresses two pertinent questions about the project, these being - "The extent to which the economic efficiency of the implementation was given, i.e. the extent to which the project implementation was cost-effective in terms of resource consumption"; and "how the economic efficiency of the measure should be evaluated, i.e. the extent to which the study found the (overall) economic effects of the funds used. In the overall assessment, the evaluation was able to confirm the economic efficiency of the program. In the years under review, the annual budget funds available for project implementation totaled about 4 million for project implementation. These funds were fully used. The average costs for the implementation of a project (net award volume), depending on the module, ranged from about 15,000 euros (information event) to about 60,000 euros (business initiation). The relatively high costs of the business initiation trips can be explained by the high cost of preparing and running the business trips, which require the organization of meetings and internal travel for the participating companies. (GREBE, 2016).

6. CLOSING STATEMENTS AND FURTHER DEVELOPEMNT SUGESTIONS

Exports are the cornerstone for maintaining economic growth and prosperous relations



ANAIS

with different countries. The theoretical perspective that underlies this thought is that the demand perspective is the main determining factor of a country's economic growth rate, and one of the bases is the principle of effective demand exposed by Keynes. In fact one of the main advantages of promoting exports is associated with its role of increasing economic growth. Besides that, the indirect effect of increase in exports in a given economy, as elaborated by North in his Export Base theory, produces a multiplying and accelerating effect on the domestic market. Caused by the income effect and chaining effect. It also generates an increase in final demand by the increase in employment income. At a microeconomic level, exports increase the scale of the firms thus reducing relative costs and increasing profits and investments. (CAMPOS. 2021)

The *Markterschließungsprogramm fuer KMU* has been successful in helping German SMEs expand their business into foreign markets. Thus also bringing different currencies to the economic ecosystem, which can serve as a hedge for the entire economy given the monetary diversification of its activities. The potential clients and specialized information gathered during the execution of the program also help the entrepreneur with his decision of investment. Reducing the uncertainty and building a realistic scenario of the opportunities existent in this specific market. (CASAGRANDE, 1993)

As of 2016, 11% of all companies in Germany were exporters in which 97% of the exporters were SMEs, contributing with a total of 18% of all the German export income. (BMW, 2016). During the period 2014-2018, the added value of small and medium-sized enterprises in Germany's "non-financial business economy" increased by 17.9% overall, with small enterprises experiencing the largest increase of 21.1%. Over the same period, employment in small and medium enterprises grew by 8.6%, as seen in figure 2. (EUROPEAN COMMISSION 2019).

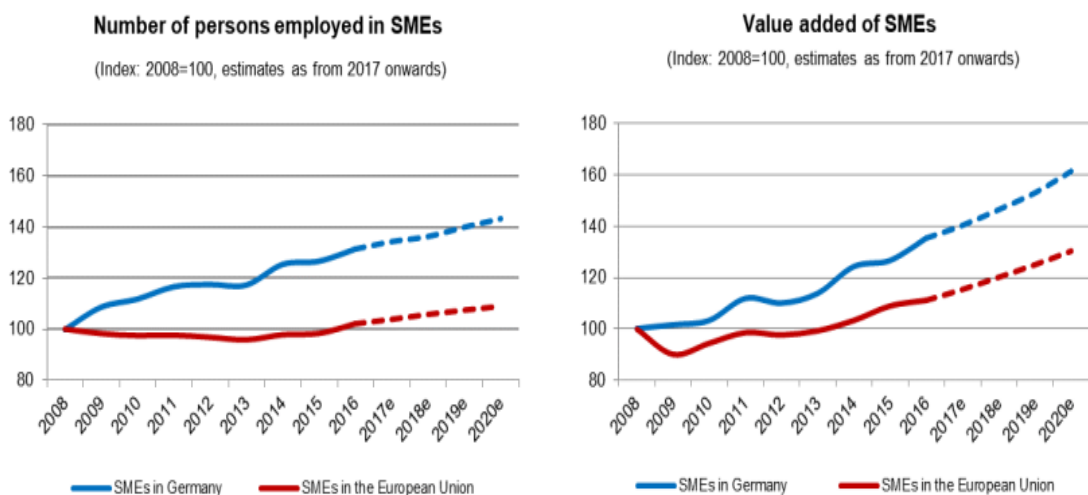


FIGURE 2. Number of persons employed in SMEs and Value Added if SMEs. Comparison between German SMEs and SMEs in the EU. (2008-2016 with projections until 2020)
Source: EUROPEAN COMMISSION (2019)^{xii}.



ANAIS

When compared with the average SMEs in the EU region, German SMEs presented a greater set of advantages towards internationalization^{xiii}. Especially in the field of exports from SMEs in regions outside of the EU, which in 2016 was 16,9% compared to the EU average of 2,8%. Other advantages include the involvement of German SMEs in the trade community and information availability. All this indicator can be directly related to the goals of the MEP program. In fact, in 2019 BMWK doubled the funding for the MEP program (from 5 million euros to 10 million euros). This also indicates that the internal valuation of the project was positive and that the program was ready to be expanded (EUROPEAN COMMISSION 2019).

In conclusion, the *Markterschließungsprogramm fuer KMU* is a valuable program that supports German SMEs in expanding their international business. A partnership with BMWK would be ideal to gather recent data with the participating companies as well as the evaluation of long term results of previous projects. A study on the effects of the COVID-19 Pandemic on the most important delegation modules and its transition to online webinars would also be valuable.

Overall this paper's purpose to enlighten the structure of the MEP program as well as the theoretical importance of it was concluded. Furthermore, studies to build indicators that can decisively prove the quantitative importance of the MEP project in the internationalization of German SMEs are advisable. Studies comparing public policies towards national champions (MNEs) and hidden champions (SMEs) would greatly increase the quality of the debate.

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ANAIS

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ⁱ [As further elaborated by Pahnke, Welter & Audretsch \(2022\)](#)

ⁱⁱ Which translates to medium-sized business.

ⁱⁱⁱ Founded in 1957 as a private foundation on the initiative of the then Ludwig Erhard, then Minister of Economics, by the Federal Republic of Germany and the State of North Rhine-Westphalia with the task to research the situation, development and problems of small and medium-sized enterprises.

^{iv} IfM Bonn, SME definition of the European Commission, retrieved from IfM, Institut fuer Mittelstandsforschung; <https://www.ifm-bonn.org/en/definitions/uebersetzen-nach-english-kmu-definition-der-eu-kommission>, January 21, 2023.

^v Specifically, the burst of the dot.com bubble, the 2008 global financial crisis and the ongoing economic consequences of the COVID-19 Pandemic

^{vi} This measure specifically intends to avoid misalignments between the BMWK and the German foreign ministry. For example if a country is under the accusation of devastating an ecosystem for economic gain and the foreign ministry condemns such actions. A MEP project focused in the mining or agricultural industry would not be ideal. As well as projects that could pose a threat of transferring German military grade technology to unstable or non allied countries.

^{vii} More information about the duration of each project as well as the individual detailed goal of each module can be accessed under the “Projektformate” section in GTAI, 2023.

^{viii} It is crucial to state that this is a rough approximation and that the values can differ greatly depending on the module and quantity of participants, as mentioned in this paper.

^{ix} A company inside the EU region is limited to a maximum of 200.000 Euros in subsidies in three consecutive years. If the company exceeds the amount but still wants to apply a declaration of non-utilization must be submitted.

^x Concept explored by Professor E. Casagrande in "The Keynesian Theories of Investment" in the format of the triad time, uncertainty and currency.

^{xi} As elaborated in page 16 of “The Keynesian Theories of Investment” - Prof. E. Casagrande.

^{xii} European Commission, SBE Factsheet Germany. Retrieved from European Commission; <https://ec.europa.eu/docsroom/documents/38662/attachments/12/translations/en/renditions/native#:~:text=German%20SMEs%20employ%20an%20average.employment%20grew%20by%208.6%252>, January, 2023.

^{xiii} Detailed analysis is available at EUROPEAN COMMISSION, 2019 under chapter 3.9 Internationalisation