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Expert Meeting on Best Practice in Business Advisory, Counselling
and Information Services

Geneva, 2-3 November 2000

REPORT ON THE MEETING

1. An Expert Meeting on Best Practice in Business Advisory, Counselling and Information Services was organized by the United Nations Economic Commission for Europe (UN/ECE) at the Palais des Nations in Geneva (Switzerland) from 2 to 3 November 2000. The Meeting aimed at exchanging experiences in creation and operation of business support service institutions in UN/ECE member States, sharing information on successful business advisory, counselling and information centres, and determining conditions to ensure the sustainability of these institutions.
2. The Meeting was attended by nearly 150 senior policy makers and experts from 33 countries and 10 international organizations, including representatives of 42 non-governmental organizations. The following UN/ECE member countries were represented at the Meeting: Albania, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Finland, France, Georgia, Germany, Hungary, Ireland, Israel, Italy, Kazakhstan, Kyrgyzstan, Latvia, Malta, Poland, Republic of Moldova, Romania, Russian Federation, Slovakia, Slovenia, Switzerland, The former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom, and United States of America. In addition, the Meeting was attended by representatives of the following international organizations: European Commission; United Nations Conference on Trade and Development (UNCTAD); United Nations Industrial Development Organization (UNIDO); United Nations Development Programme (UNDP); International Labor Organization (ILO); European Bank for Reconstruction and Development (EBRD); International Co-Operative Alliance (ICA); Organisation for Economic Co-operation and Development (OECD); International Trade Centre (ITC); and World Association for Small & Medium Enterprises (WASME).

3. The Meeting was opened with the introductory statement made by Ms. Danuta Hübner, Executive Secretary (UN/ECE). Ms. Staša Baloh-Plahutnik, Under-Secretary of State of the Ministry of Economic Affairs of Slovenia was nominated as Chairperson and Mr. Ragib Guliyev, Chairman of the State Committee on Antimonopoly Policy and Support for Entrepreneurship of Azerbaijan as Co-Chairman. Mr. Antal Szabo, Regional Adviser on Entrepreneurship and Small and Medium Enterprises (SMEs) (UN/ECE) acted as the secretary and Mr. Mika Vepsäläinen, Enterprise Development Officer (UN/ECE), as rapporteur of the Meeting. An ad hoc Group of Experts was set up to prepare conclusions and recommendations.

4. The agenda of the Meeting included:

- (a) Keynote presentations on business advisory and information services;
- (b) Best practice in business advisory, counselling and information services in advanced market economies;
- (c) Best practice in business services in associated countries and other countries in transition; and
- (d) Round Table discussion on recommendations for the sustainability of business services institutions.

The list of papers presented is attached (Annex).

I. KEYNOTE PRESENTATIONS ON BUSINESS ADVISORY AND INFORMATION SERVICES

5. Four papers were presented featuring best practices in business development services worldwide by UNCTAD, the experience of the Euro Info Centre (EIC) Network by the European Commission, the role of business support institutions in the United States of America as well as the TurnAround Management (TAM) and Business Advisory Services (BAS) Programmes by the EBRD.

6. Ms. Lorraine Ruffing, Chief, Technology and Enterprise Branch, Division on Investment, Technology and Enterprise Development (UNCTAD) focussed on major constraints for SMEs and on the role of international organizations in SME development.

7. At the macro level, the major constraints to SME development lie in:

- (a) Deficiencies in the quality of support services, as opposed to their quantity, as it is commonly perceived;
- (b) SME financing, especially ability to repay loans;
- (c) Business environment, including the legislative and regulatory framework, the banking system and contract enforcement; and
- (d) The role of government, e.g., the need for State delegation of the provision of services to the lowest possible level.

8. At the micro level, the following requirements for business services institutions¹ (BSIs) were identified: demand-side orientation, collective approach, cost recovery and sustainability, cross-subsidization, and monitoring/evaluation. With regard to these requirements, the following remarks were made:

- (a) Instead of adopting a supply-driven orientation, business services institutions must be familiar with and adapt to their clients' needs.
- (b) The value of a collective approach to provide business services lies in the efficiency of serving a number of clients together rather than one-on-one.
- (c) The high cost of business support services necessitates cost recovery, e.g. reducing cost by providing services to groups of similar businesses in the same sub-sector or located close to each other. In turn, cost recovery for small businesses implies that they must improve their profitability and productivity, what makes them willing to pay higher prices to access additional services. Cost recovery is part of sustainability.
- (d) Cross-subsidization is a technique of using a differentiated fee scale to pay for those who need services but are less able to afford them (e.g. richer clients pay for services to poorer clients), or to pay for the provision of less profitable services by using revenues from services with higher profit potential (e.g. offering training and information services by using profits from marketing, technology, accounting and legal services).
- (e) Monitoring and evaluation are necessary to assess the BSIs' performance and to ensure their efficiency. Evaluation of BSIs uses the following criteria: outreach, measured in number and diversity of clients; cost-effectiveness, measured in cost per person; impact, measured in employment creation, increase in survival rate of SMEs, and profits; and sustainability. Monitoring and evaluation should not be done by the BSIs. The responsibility must be delegated to an independent institution.

9. International organizations play a vital role in SME development. International organizations attempting to engage in provision of services often fail to reach a critical mass. Therefore, international organizations are best at facilitating and helping through the provision of public goods such as training, subsidizing production of training materials, measuring the impact of service, etc.

10. Ms. Martine Diss, Coordinator of the Euro Info Centre (EIC) Network under the European Commission focussed on four issues pertinent to SME development in Europe:

- (a) Recent political developments in enterprise policy and support services in the EU;
- (b) Concerted action;

¹ Business services institutions, business services providers or business services organizations are interchangeable in meaning and are hereafter referred to as business services institutions (BSIs).

- (c) Euro Info Centre Network; and
- (d) Integration of different networks providing services to SMEs.

11. The political context in the European Commission (EC) has changed with the decrease in the number of Directors General (DG), dealing with SMEs, from three to one. In the legal sphere, a European Charter for Small Companies was adopted by the European Council in June 2000. The Lisbon Summit held in March 2000 set the goal of creating “enterprise Europe.”

12. Concerted action, according to Ms. Diss, refers to seminars held between member States to exchange experiences in SME development. For example, a seminar on assisting start-ups was organized in Madrid in 1995. In addition, a database on a wide range of member States’ support centres has been created and it includes support centres not only for start-ups but also for established companies. The database should be searchable on the EU Web site by March 2001. In addition, the Commission performs a systematic benchmarking on business enterprises.

13. Euro Info Centres (EICs) inform enterprises on all Community policies, activities and programmes; assist enterprises in their efforts to expand and to internationalize; advise enterprises; and provide feedback information to the Commission on concerns and interests of enterprises, and on the impact of Community programmes and legislation. There are 273 Euro Info Centres in 37 countries, including the accession countries, and correspondence centres in Cyprus, Malta and Turkey.

14. The European Commission has set up a permanent evaluation of the performance of the network. The EIC Network is the only EU network that is evaluated on a regular basis. Last year several centres had to be eliminated because of unsatisfactory performance.

15. EICs act as a link between the European Commission and European enterprises. They use host structures, such as chambers of commerce, public services, professional associations, banks and services. EICs are established on a joint-financing principle, with the Commission providing only 10 per cent of the costs to run a centre. EIC staff must be well-informed on EU legislation on SMEs, financing opportunities, activities and programmes. In turn, SMEs can use EICs to provide feedback to the Commission on problems and consequences of certain policies so that the Commission can adapt EU legislation.

16. The main success of the network lies in the fact that it is a physical network, not a virtual one. Different studies on SMEs indicate that only half of small companies have a PC in their offices, fifty per cent of SMEs do not use the Internet for research of business opportunities and many rely simply on e-mail. Therefore, physical proximity is absolutely necessary as well as an understanding of the specific needs in a particular community. The EIC Network is a real network because the info centres are linked. EICs offer indirect advantages, such as Internet and a conferencing system, working groups, training and exchange of experience.

17. It is important to avoid duplication of effort by the various business services support networks. The EIC Network has a mandate from the Commission to establish only one network under which different members offer specialized services and coordinate their work. The EIC staff are currently working closely with the OECD, which is also interested in setting up an international network of business support services.

18. Mr. Shelton, Director of the International Technology Research Institute at Loyola College in Maryland, United States, gave an overview of business services institutions (BSIs) in the United States.

19. There are over 1,000 BSIs organized by Federal agencies and the 50 States. From the Federal programmes the most important is the Small Business Administration (SBA). Other forms of federal assistance to SMEs include a Catalogue of Federal Domestic Assistance, Small Business Innovation Research Program, a government programme that taxes the largest R&D agencies and institutions and subsidizes R&D for small businesses, the US Department of Commerce, the Economic Development Administration, the International Trade Administration, and the General Services Administration. Some of these support institutions focus their services on small geographical regions and/or disadvantaged segments of the population such as women or minorities.

20. NASA's Office of Small and Disadvantaged Business Utilization, National Aeronautics and Space Administration offers an interesting example of a US business support institution. The activities of the office were presented by Mr. Ralph Thomas, Member of the Governing Body of the World Association for Small & Medium Enterprises (WASME). The Office of Small and Disadvantaged Business Utilization exists in a major federal agency of the US Government to assist firms in obtaining contracts with NASA and sub-contracts with NASA's major large contractors, and in getting involved in NASA's technology transfer and small business activities.

21. The Office of Small and Disadvantaged Business Utilization is certified to evaluate its performance by using the QQI (quality, quantity and institutionalization) measure of success. The QQI examines the extent to which NASA contracts contribute to company improvement, the amount of dollars spent, and the extent to which practices are institutionalized into permanent NASA policy.

22. The programmes of the Office include:

- (a) Training on how to market to NASA, how to bid, and how to contract with NASA;
- (b) Forums enabling SMEs to present their capabilities to NASA managers;
- (c) Protégé programmes where big companies choose small businesses for mentor relationships;
- (d) Advisory committee to improve relationship between the office and SMEs;
- (e) Round Table with top 25 big businesses to improve subcontracting opportunities to small business; and
- (f) Teaching SMEs how to commercialize NASA technology.

23. Small Business Administration (SBA), an independent agency, is the major governmental support organization focussing on SME development. SBA has a budget of almost US \$1 billion and it spends it in the form of loans and loan guarantees, with advising accounting for only 10 percent of the budget. The SBA gets 0.4% of the Federal budget and the taxes paid by one of its successful clients pay for most of its budget, a clear example of cross-subsidization. SBA organizes a network of Small Business Development Centres (SBDCs), partnerships of the private sector, the education community and local communities, which provide local training and consulting throughout the nation. They trained 600,000 clients in 1999 and over 1 million women have been trained by SBDCs since 1995.

24. The advent of the World Wide Web has changed substantially the provision of business development services. In the United States SBA has funded a virtual SBDC. A similar cyber business incubator has been sponsored by the State Department to provide business support services in Ukraine. Private companies are increasingly providing free services for SMEs. Some companies provide these as a form of advertising to attract small businesses as customers, some rent space on the site to other advertisers, some sites are created by non-profit associations, and some sites are purely an altruistic public service by individuals. Thanks to the Internet, much of this information is available to people worldwide.

25. Mr. Michael McAlister, Managing Director of the TurnAround Management Programme and the EBRD Business Advisory Services Programme, presented the business support services provided by the EBRD TAM & BAS Programmes in countries in transition.

26. The main objectives of TurnAround Management (TAM) are to provide senior industrial advisors to assist privatized companies to survive and prosper in new market-driven economies, to increase their competitiveness and to help them meet EU accession requirements in the pre-accession countries. TAM services are offered free of charge.

27. The main objectives of Business Advisory Services (BAS) are to use local professional consultants to provide specific and clearly defined practical business advice to SMEs to enable them to make the transition to a market-driven economy and to develop the expertise and professional capabilities of local consultants. Both TAM and BAS Projects use a structured quality assurance procedure and apply strict conditionality and compliance on the beneficiary enterprises. BAS/TAM Projects are closed and funds are re-allocated if the enterprise response is inadequate.

28. Both programmes are independently managed by the TAM Management Group, which is self-financing and operates within the EBRD on a 'non-for-profit' basis on behalf of its donors. The main donors are the EU PHARE and TACIS Programmes, the Nordic Council of Ministers, the Russian Privatisation Centre, UNDP, and many bilateral donors, particularly Japan and the United Kingdom.

29. TAM and BAS are externally evaluated by OMAS for EU PHARE and OMAS rated the TAM and BAS Programmes as "Highly Satisfactory" in 1997 and 2000.

II. BEST PRACTICE IN BUSINESS ADVISORY, COUNSELLING AND INFORMATION SERVICES IN ADVANCED MARKET ECONOMIES

30. Six papers were presented on this topic. The speakers highlighted their experiences in Belgium, Finland, France, Germany, Italy, and the United Kingdom.

31. In their presentations the speakers identified the major characteristics of business advisory, counselling and information services in their countries in the following five areas:

- (a) Structure of business advisory, counselling and information centres;
- (b) Financing of business advisory, counselling and information centres;
- (c) Goals and types of services;

- (d) Education for entrepreneurship; and
- (e) Role of technology.

32. The structure of BSIs in advanced market economies depends on whether they are public service institutions, sponsored by the respective Ministry, such as in Belgium, Finland, France, Italy, and the United Kingdom or independent bodies, receiving no public funding, such as in Germany. Whatever the case, in many advanced market economies there are also private institutions promoting entrepreneurship. Membership in the public BSIs, usually chambers of industry and commerce, may be mandatory, as is the case in France, Germany, and Italy. In Italy, in particular, membership is extended to everyone, including craftsmen and businesses involved in agriculture as well as small business. In Belgium and Finland, membership is not mandatory, but services are offered to entrepreneurs such as tradesmen, artisans and managers of SMEs.

33. Financing of BSIs varies from being exclusively financed from corporate taxes and operations, as in France, to being financed by subscription fees without public funding, as in Germany. In either case, however, cross-subsidization is practised so that companies pay in line with their economic capabilities. For example, in the Chamber of Industry and Commerce in Stuttgart, Germany, 95 per cent of the fee is paid by 5 per cent of the companies, belonging to the chamber. Thus, big companies pay to support the chamber's activities, while small companies do not pay anything or pay a very small amount and have access to business support services.

34. The goal of BSIs is to provide services to SMEs, including start-up, established and growth businesses. In Germany, however, the chambers of industry and commerce provide services to all companies of whatever size, from the "mom-and-pop" store to the large multinational. In the United Kingdom, LEDU (Local Enterprise Development Unit in the Northern Ireland), the major BSI, offers pre-start activities such as enterprise awareness training and television advertising campaign to encourage enterprise activities.

35. It is generally recognized that start-ups should get at least one free consultation. Services are usually delivered by people with commercial/business backgrounds. They are tailored to a company's needs and stage of development, e.g. start-ups or established companies, which would require different services. Services vary, with training, advice, information, and technical assistance being more prominent than providing finance directly. Other services include one-stop-shop facilities, technological and innovation think-tanks, promotion tools for international trade, advice on public-sector contracts, electronic commerce, marketing management, financial management, internal and external feasibility study, adult education/training, etc.

36. The provision of business advisory, counselling and information services in the advanced market economies is based on the following principles:

- (a) Subsidiarity, i.e. delegating the provision of services as close to the clients as possible; thus, their needs can be met in the most effective way;
- (b) Close contact with entrepreneurs, including regular visits;
- (c) Personalized service, which in Italy is based on the life cycle of an enterprise and includes an interview to identify a project and computerized tests to assess entrepreneurship and risk;
- (d) Partnership with local, regional, national and European actors; and
- (e) Entrepreneurs' ability to voice their views through the BSIs and to influence local or national decisions.

37. All practitioners in business advisory, counselling and information services in advanced market economies underlined the crucial role of entrepreneurship education. According to Mr. Risto Suominen from the Federation of Finnish Enterprises in Helsinki, investments made in education are often more efficient and effective than publicly financed contributions made for promoting entrepreneurship. As noted by Mr. Jean Vimal Du Monteil, Development Director of the Chamber of Commerce and Industry in Grenoble, entrepreneurship education is more than just know-how, but it is also a system of values and beliefs. A significant component in adult training must be devoted to inserting a motivation, especially when working with unemployed people, as noted by Italian speaker Mr. Carlos Talamas from the Milan Chamber of Commerce.

38. The role of information technology is widely recognized as a crucial component in SME development. The most common use of the Internet is, no doubt, e-mail, and after that the acquisition of information. In most countries, the use of Internet in business activities is still not very common, although it has been steadily increasing. The exception is Germany, where the chambers of industry and commerce have established a nationwide network to offer consulting services on electronic business issues and the Internet to SMEs. Common questions include: how to set up online shops, create home pages, electronic payment systems, Internet connectivity, and teleworking.

39. In all advanced market economies the Euro Info Centres provide information, advice and training in all areas relevant to SMEs (for more information on the EIC Network, please refer to the keynote presentation by Ms. Martine Diss in Part I).

III. BEST PRACTICE IN BUSINESS SERVICES IN ASSOCIATED COUNTRIES AND OTHER COUNTRIES IN TRANSITION

40. Nineteen presentations were made on this topic. The speakers were from Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russian Federation, Slovakia, and Ukraine.

41. In the early years of transition, in many countries the activity of the Governments focussed primarily on privatization and restructuring of large state enterprises, while SME supporting programmes were mainly initiated by international donors. By now the importance of SME national policy is clearly recognized both by Governments and entrepreneurs. As a result of the earlier neglect of SMEs, many countries, notably the countries in transition, still lack a coherent national policy, what constrains SME development.

42. Three components of national SME policy were most prominent in the presentations: the definition of SMEs, the business environment, and the tax system. In this regard, the following characteristics were highlighted:

- (a) Different definitions of SMEs circulate in associated countries and countries in transition, with consistency with the EU definition of SMEs in the first wave of enlargement countries and less consistency in other CITs.

- (b) The business environment presents obstacles to both SMEs and business services institutions. This is especially relevant for countries in transition, where the major preoccupation lies with improving the legal and regulatory framework for business support services. For example, in Ukraine, the registration and licensing processes for SMEs constitute serious obstacles to their development. Therefore, it can be concluded that associated countries and countries in transition are at different stages in the provision of business advisory, counselling and information services, with more sophisticated business support services being offered in the associated countries.
- (c) In all countries, there is clearly a need for a tax system that promotes investment and reduces bureaucratic barriers, which increase operational costs and decrease companies' competitiveness. One of the main difficulties, faced by SMEs in all countries, is an excessive tax burden. Even in the more advanced associated countries, for example Poland, recent tax changes have not resulted in making the system simpler and more uniform.

43. There are essentially two types of services provided by BSIs:

- (a) Basic services, called "introductory consultations" or "information and general advisory services," are usually provided free of charge. These include one-stop-shop services, which are service packages required by national or foreign entrepreneurs and offered under one roof. One-stop-shops are considered to be time efficient and to discourage corruption. The Romanian Chamber of Commerce and Industry has implemented a successful one-stop-shop, which assists beginners to start up their businesses.
- (b) Specialist advisory services or consultancy services consist of specialist advice in a particular area, e.g. general management, marketing and sales, production management, human resource management, etc. There is a general agreement that they should be offered in exchange for a fee.

44. BSIs can be state organizations, regional authorities, public/private partnerships, subsidized private agencies and companies, etc. In light of the rich BSI typology, BSIs can be divided into the following categories:

- Entities providing services to SMEs;
- Entrepreneur organizations;
- NGOs focused on SMEs; and
- Research institutes and academic units.

45. Entities, providing services to SMEs, are usually non-profit organizations, specializing in the provision of advisory, information and training services to SMEs or start-ups. They can be grouped as follows:

- (a) Business Support Centres;
- (b) Business Information Centres;
- (c) Business Incubators;
- (d) Innovation and Technology Centres;
- (e) Research Centres/think-tanks;

- (f) Non-profit financial institutions; and
- (g) Regional Development Agencies.

46. It must be kept in mind that the terminology differs from country to country. In addition to these institutions, Euro Info Centres constitute prominent actors in business advisory services in associated countries. Forty-nine EICs have been established in seven associated countries.

47. BSIs employ various implementation instruments for achieving their goals in SME promotion. Some of these tools include:

- (a) Start-up subsidies to increase the level of capital investment;
- (b) Subsidies for regional investment, credit and loan guarantee funds;
- (c) Business financing through equity investment;
- (d) Partial financing of SME advisory services provided by specialised business support organizations;
- (e) Training services to management teams of enterprises and local government officials and to target groups, such as unemployed persons, women and young people;
- (f) Execution, administration and management of assistance programmes;
- (g) Euro Advisory and Consulting services (EICs); and
- (h) Promotion of the region and local economy.

48. Speakers from associated countries highlighted the crucial significance of regionally differentiated approaches and subsidiarity. Assistance funds are most efficiently and effectively employed, if channelled to regions, as regions differ in their resources and needs. Non-governmental organizations, which have been working with local entrepreneurs for years, are best placed to know the needs of the region. In addition, weaker regions within countries require a special support, as regional differences in SME development are present both in countries in transition and associated countries.

49. Employing a culturally sensitive public relations approach can play an important role in changing popular attitudes toward entrepreneurs, as it was successfully implemented in Croatia. A good public-relations campaign can also be very effective in informing entrepreneurs about business support services available to them. Often managers of SMEs are unaware of what they need to improve their companies. The need for external consulting is not treated as a priority. In some countries or regions, these managers are not even aware that business advisory services exist for their companies.

50. Business services institutions in associated countries and countries in transition have integrated information technology into their services according to their capabilities. An encouraging example of the successful use of information technology in business advisory has been the “web-site-shop,” sponsored by the Moscow City Government, which uses a web site to provide information, online applications, and other advisory services to small businesses.

51. The area of standards, monitoring of quality and evaluation is largely underdeveloped in both associated countries and countries in transition, with some exceptions. In some countries, notably the Russian Federation and other countries in transition, although most of the existing business services institutions claim to be multifunctional, they employ no more than five or six people to

provide a variety of services. Instead of occupying their own niche in the market, these entities are often in keen competition with each other and, as a result, contribute to an unfavorable business environment. Associated countries have adopted or are adopting EU quality standards, e.g. ISO 9,000 and ISO 14,000, but they require a reliable and transparent monitoring and evaluation system for business advisory, counselling and information services. In Poland, an important step has been taken in this direction by creating a comprehensive quality assurance system, including an elaboration of business consultancy ethics.

52. Speakers noted the need to provide a flexible range of services, adaptable to changing needs and a changing environment. Lack of access to external financing continues to be one of the most serious obstacles to SMEs in all countries despite the existence of financing institutions, which offer financing to SMEs. These are non-bank institutions, providing venture capital, loan funds and credit guarantee funds.

53. In all associated countries, services are offered by Euro Info Centres alongside those, provided by other business services institutions. Although EICs occupy a niche in EU-related matters and contribute to SME internationalization, more coordination and synergy between various BSIs can preclude duplication of activities. In response to an inquiry about the possibility of setting up Euro Info Centres in non-associated CITs, it became clear that the initiative for setting up a new Euro Info Centre needs reassurance from the Government. In terms of financing, a new EIC in CITs, one must examine the policy of the European Commission towards the respective country and opportunities within the TACIS Programme.

IV. ROUND TABLE DISCUSSION ON RECOMMENDATIONS FOR THE SUSTAINABILITY OF BUSINESS SERVICES INSTITUTIONS

54. The Round Table Discussion on Best Practice in Business Advisory, Counselling and Information Services was moderated by Mr. Antal Szabo (UN/ECE). Discussion panellists were high-level policy makers (Ms. Maja Tomanič-Vidovič, State Secretary at the Ministry of Small Business and Tourism of Slovenia and Mr. Anatoly Skorbezh, Minister for Entrepreneurship and Investments, Belarus); scientist (Mr. Carlo Salvato, Professor at Cattaneo University, Castellanza, Italy); members of international organizations (Ms. Lorraine Ruffing, UNCTAD and Ms. Ewa Ruminska-Zimny, UN/ECE); representatives of NGOs (Ms. Katarina Jagic, President of Small and Medium Entrepreneurs' Association of Croatia and Mr. Alexandr Ioffe, President of the Russian Association for the Development of Small-sized Enterprises).

55. Participants of the Round Table discussed the following questions, raised by the moderator:

- (a) Types of services to be provided and for which groups;
- (b) First-stop-shop versus one-stop-shop services;
- (c) Physical infrastructure versus virtual network;
- (d) Financing of services:
 - to be subsidized or not?
 - who should pay (public/private) and at what rate?

- (e) Quality standards:
 - which are the evaluation criteria?
 - how to evaluate the performance of BSIs?
- (f) Competition amongst local BSIs and ways to overcome it; and
- (g) Ways to benefit from each other's experience and follow-up to this Meeting.

56. The statements and conclusions made during the Round Table discussion were incorporated into the "Conclusions and Recommendations" section of this report.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

57. The participants formulated conclusions and made the following recommendations to Governments, legislative authorities, international organizations and non-governmental organizations (NGOs).

58. As SMEs both in advanced market economies and in transition economies find it harder than larger businesses to find and use the information and advice they need, the Expert Meeting participants recognized that business advisory, counselling and information services are the most effective means of assisting entrepreneurs in improving the competitiveness of small businesses. Best practice sharing is instrumental in accelerating SME development in countries in transition and in promoting cooperation in Europe.

59. The participants identified the following guidelines with regard to the types of services and the organizations providing these services:

- (a) The primary aims of business services institutions are to prepare start-ups, beginners and growing entrepreneurs and to increase their competitiveness;
- (b) Diversified business services should be provided for different groups of entrepreneurs and should be tailored to the needs of SMEs;
- (c) BSIs should identify their goals and target groups and should be specialized in providing basic services and value-added ones;
- (d) Government BSIs have to work closely with labour organizations in order to coordinate their efforts in fighting against unemployment and poverty;
- (e) Special advisory services and networking should be created to support women entrepreneurship in countries in transition; and
- (f) Tailoring of business services to target/disadvantaged groups such as minorities and disabled persons ensures, that business advisories reach all segments of society.

60. Regarding the issue of financing business services, the participants recognized that SME services could be offered free of charge and/or in exchange for a fee. There was a consensus among the participants that the majority of the services in countries in transition should be provided at low-cost for start-ups. All BSIs should create value-added services. Subsidies are a question of “to be or not to be” for BSIs. It is a requirement that BSIs cover at least their operational costs. More subsidies are needed at the early stage of entrepreneurship. Instead of subsidizing individual entrepreneurs, subsidies should be oriented towards developing service products/activities rather than institutions. The voucher system was identified as a new type of subsidy. Cross-subsidization is an advantage if local governments and other donors are willing to provide it. Cross-subsidization is very difficult to be justified in the CIS countries. Sustainability, both of SMEs and of business services institutions, is a new profession of consultancy and advisory services.

61. Business development services must be demand-side oriented and capable of adapting to users’ needs. Competition amongst BSIs should be maintained and SMEs should be encouraged to exercise their right to select their service institution more widely. It is important to raise awareness, that there is a possibility for everybody. If there is strong competition between existing BSIs, it is the task of the Government to create synergy among these institutions and establish a harmonized support system.

62. The quality of business support services determines their effectiveness in the creation of successful enterprises and in the development of existing ones. The participants concluded that high-quality and consultative services must be provided by a support system/infrastructure. With regard to “first-stop-shop” versus “one-stop-shop” services, the participants noted that start-ups clearly need a first-stop-shop to be established in the same place, ensuring direct contact with advisors and including several support mechanisms. To ensure better quality, support services should be linked together, using a comprehensive approach as opposed to a fragmented one.

63. The participants reached a consensus that business services institutions must be monitored and evaluated. BSIs can be evaluated by examining their outreach, impact, cost efficiency, and sustainability. It should be kept in mind, that the clients of the BSIs are the best evaluators of services they receive. There is a clear need for structured quality assurance procedures. Evaluation criteria on the quality of BSIs has a dual character: on the one hand, there is the ISO 9,000 series of standards, implementing and certifying quality assurance system; and on the other hand, there is evaluation of economic sustainability.

64. The participating parties noted that the business environment, including the legislative and regulatory framework, the banking system and contract enforcement, is important conditions for providing effective services to SMEs. Governments in countries in transition should design and implement policies, specifically tailored to small business, and aimed at simplifying the business environment and, for the accession countries, converging national SME legislation with the *acquis communautaire* pertinent to small firms. As it is already happening in advanced market economies, Governments in transition economies should orient their policies and programmes towards fostering entrepreneurship.

65. In accordance with the EU principle of subsidiarity, services are most effective, when they are brought as physically close to small-scale entrepreneurs as possible. Government institutions and international organizations should use local support structures to ensure outreach of a critical mass of clients.

66. The use of information technology in the daily practices of SMEs must be promoted by BSIs through training and provision of technology. Web-site business dialogue could be very useful in providing information on legislative and financing issues, especially if it also provided a feedback mechanism. Both physical proximity of business services institutions and virtual offices have their value in SME promotion. However, a virtual network should support and complement a physical network. The participants considered the human factor to be absolutely necessary.

67. The creation of new products, i.e. R&D, should be made a priority in transition economies. Transfer of technology and know-how from advanced market economies is an important part of developing a R&D capacity in transition economies.

68. Synergy, in the form of partnerships between Governments, legislative authorities, international organizations and BSIs, is required in the context of globalization. The best way to benefit from each experience is for the UN/ECE to create an ad hoc group of experts responsible for drawing up guidelines on best practice in business advisory, counselling and information services.

Recommendations to Governments and legislative authorities

Business Environment

69. Simplification of business environment for SMEs is an important task of Governments. Legislative authorities are advised to create a clear and transparent legal and legislative framework for development of SMEs.

70. Governments should have a policy on SME development through creating a network of different services. Governments should prepare and implement long-term programmes for supporting SMEs. National programmes can include areas, such as an easy access to financial resources, ensuring good quality and standardized services, provision of government subsidies, training of entrepreneurs, setting up partnerships and special programmes for different target groups.

71. Governments should foster the sustainability of business services institutions through a strong support at the initial stage; encouraging good management; employment of skilled staff; regular contacts with entrepreneurs; and provision of quality and standardized services by BSIs.

72. It should be a responsibility of Governments to monitor the effect of advisory services on SMEs as they can be measured, to remove barriers and ensure access to funds and projects, which support start-ups and growing businesses.

Financial Resources

73. Governments should design a special financial system for start-up and development of SMEs, which encompasses the easier access to information, business-related advice and credits, involving banks, the banking sector, insurance companies, and other financial institutions.
74. Governments are in a position to concentrate financial support for SMEs by pooling international, national, local, and private resources, and by targeting groups such as start-ups, growing businesses, and innovative entrepreneurs.
75. Governments should create start-up funds, particularly for technology-oriented companies. At the initial stage, Governments are advised to play the main role and be a shareholder in establishing and promoting SMEs.

Human Resources, Networking and Partnerships

76. Governments in transition economies are encouraged to invest in human resources development and to set up special programmes for support of business start-ups, especially, among disadvantaged groups.
77. Governments can play a role in promoting and providing information to the youth through vocational and secondary schools about business environment, business start-up, planning and management.
78. Governments can train staff working in the area of SMEs in an entrepreneurial manner, with particular emphasis on motivation.
79. Governments are in a position to coordinate all existing relevant governmental and non-governmental institutions and organizations in the SME sector as stakeholders in formulating SME policies, strategies, and programmes for SME development support.

Innovation, R & D, Intellectual Property Rights and Transfer of Technology

80. Governments should encourage universities and R&D institutions to collaborate with technology-oriented small and medium-sized enterprises.
81. Within their capabilities, Governments should encourage and support the establishment and development of innovation and technology centers, which include incubators, and they should create and develop science and technology parks.
82. Governments should support the creation of national network of institutions, offering information and assistance to SMEs in intellectual property rights.
83. Governments have a vital role in encouraging the application of information technology by SMEs, especially in developing web pages, e-commerce, entrepreneurial training, partner search, etc.

Recommendations to international organizations

Business Environment

84. International organizations are asked to encourage Governments to create a business friendly environment for entrepreneurship and SME development.

85. When negotiating conventions, norms and standards in economic, technical and environmental matters, international organizations should always consider the impact such activities have on each country and region and to apply a country-specific approach.

Financial Resources

86. Keeping in mind that business advisories have to reach a sustainability in the long run, international organizations can develop new sets of services, encouraging business services institutions (BSIs) to offer value-added services to SMEs.

87. Hence, international organizations are advised to help BSIs develop demand-oriented and focused services, disseminating the practice of cost recovery and cross subsidization.

88. International organizations can facilitate the access of countries in transition to the resources of international organizations.

Quality, Standards of Services and Monitoring

89. International institutions are in a position to develop and distribute among BSIs and other advisory organizations clear and operational principles of quality assurance (e.g. ISO 9,000).

90. EIC Network and other networks of the European Commission can be used for a monitoring of several activities in the countries of their location, especially in accession countries.

91. UN/ECE is encouraged to start putting forward initial guidelines related to quality/standards of services and monitoring.

92. UN/ECE is recommended to open a discussion on the UN/ECE Web site, where best practices can be presented, shared and discussed.

Human Resources, Networking and Partnerships

93. International organizations can help Governments of member countries to prepare strategies and long-term programmes for SME development.

94. They can assist in establishing business support centres, incubators, and other business services institutions and can help them to create proper services for SMEs.

95. International organizations should keep in mind the principles of subsidiarity and networking, and bring services as close as possible to SMEs.

96. Given the difficulty for local BSIs to develop a full range of services for SMEs, partnerships are to be encouraged and facilitated by international organizations.

97. International organizations can act as good intermediaries between advanced market and transition economies in helping the latter with data collection, information on good practices in the business service development, and the preparation of action plans on how to implement best practices in transition economies.

Recommendations to UN/ECE

98. The UN/ECE is advised to forward the conclusions and recommendations of the Expert Meeting to the Governments and legislative authorities (Parliaments) of its member States.

99. The UN/ECE is asked to put the conclusions and recommendations, the list of participants and the presented papers on the World Wide Web.

100. The UN/ECE should continue its practice in organizing similar expert meetings on SME-related issues, as well as convene special seminars/workshops in member States on relevant issues.

101. The UN/ECE secretariat should consider recommendations from participating parties for topics of future expert meetings. One such proposal from the Executive Secretary of the UN/ECE is to organize a forum on less successful SME promotion practices and use of foreign technical help. Mr. Anatoly Skorbez, Minister for Entrepreneurship and Investments, expressed the interest of Belarus in participating in the forum 2001 with a case study. Ms. Elena Emelianova of the Moscow Fund for SME Promotion from the Russian Federation suggested hosting a Seminar on Support of Entrepreneurship by "Web-Site-Shop," to be held in Moscow.

Recommendations to non-governmental organizations

102. NGOs can contribute to simplifying and improving the administrative and legislative environment for SMEs through lobbying Governments, information, marketing, and advocacy work.

103. NGOs can improve SME access to finances by searching for partners on the local, national and international levels.

104. Often providers of training, technical and legal assistance, NGOs help SMEs to internationalize their strategies by providing them with information and other standardized services. They are in a position to boost the competitiveness of SMEs and introduce them to research, innovation, and standards through their own networks, mechanisms for exchanging best practice, and access to information technology.

105. NGOs can foster the spirit of entrepreneurship by encouraging individuals to become entrepreneurs. They should continue to support target groups such as young people, women, and disabled persons through special programmes.

106. NGOs can play a vital role in a continuing dialogue between public and private entities responsible for entrepreneurial activities.

LIST OF PAPERS

Best practices in business development services

Ms. Lorraine Ruffing, Chief, Technology and Enterprise Branch, Division on Investment, Technology and Enterprise Development (UNCTAD)

The condition of success for business advisory, counselling and information services: The EIC Network case

Ms. Martine Diss, Coordinator, Euro Info Centre Network (European Commission)

Business support institutions in the USA

Mr. Duane Shelton, Director (International Technology Research Institute, Loyola College, Maryland, USA)

Turnaround management and Business Advisory Services Programme

Mr. Michael McAlister, Managing Director of the TurnAround Management Programme (European Bank for Reconstruction and Development, London)

VIZO: A Flemish initiative to stimulate entrepreneurship, growth and success of SMEs

Ms. Anne Verbruggen, Business Consultant (VIZO Antwerp, Belgium)

Study on business services institutions in Finland

Mr. Risto Suominen, Director (Federation of Finnish Enterprises, Helsinki)

Business support systems in France

Mr. Jean Vimal Du Monteil, Development Director (Chamber of Commerce and Industry, Grenoble)

SME support and business services in Germany

Mr. Hans-Jürgen Reichardt, Manager (Chamber of Industry and Commerce, Stuttgart)

Business advisory and development support services for small companies in Northern Ireland

Ms. Michele Shirlow, Business Development Manager (LEDU – Local Enterprise Development Unit, Belfast)

Business advisory and information services in Italy: The FORMAPER experience

Mr. Carlos Talamas (FORMAPER Special Agency of the Milan Chamber of Commerce, Milan)

Factors for creation of effective business advisory infrastructure in the Azerbaijani Republic

Mr. Ragib Guliyev, Chairman (State Committee on Antimonopoly Policy and Support for Entrepreneurship, Baku)

Business advisory and information services in the Republic of Belarus

Mr. Anatoly Skorbezh, Minister (Ministry for Entrepreneurship and Investments, Minsk)

Advisory and information services in Bulgaria

Mr. Vladimir Pavlov, Chairman of the Board (Foundation for Entrepreneurship Development, Sofia)

SME promotion, training, advice and counselling policy in Croatia

Ms. Dragic Karaic, Head of Department for Entrepreneurship Promotion (Ministry for Crafts and SMEs, Zagreb)

Czech national network of regional advisory centres and business innovation centres

Mr. Jan Martinek, Head of Counselling (Business Development Agency, Prague)

Network of local enterprise agencies

Ms. Andrea Ambrovics, Director, Hungarian Foundation for Enterprise Promotion (HFEP, Budapest)

Role and position of the Euro Info Centre in Hungary among national business support institutions

Ms. Márta Takács, Head of EIC and Trade Development Department (Tolna County Chamber of Commerce and Industry, Euro Info Centre HU732, Szekszárd)

Network of business support organizations as an effective tool for SME development – the Polish experiences

Mr. Henryk Stasiński, President (Association “Free Entrepreneurship,” Gdansk)

Business advisory and information services as an effective tool for SME development in Podkarpackie region in Poland

Mr. Boguslaw Sweda, Advisor (Association of Entrepreneurship Promotion, Rzeszów)

Services provided for existing and growing enterprises in Wielkopolska province (Poland)

Mr. Dariusz Kaluzny, Director (Konin Regional Development Agency, Konin)

Engaging in provision of advisory, consulting and information services as exemplified by Lublin Development Foundation (Poland)

Mr. Andrzej Kidyba, President of the Board (Lublin Development Foundation, Lublin)

The Romanian Chamber of Commerce and Industry involvement in providing services to SMEs. “One-stop-shop” for assisting beginners to start up their business

Ms. Cornelia Rotaru, General Director (Chamber of Commerce and Industry, Bucharest)

Support to small and medium business through the Russian Agency (RAS)

Mr. Victor Ermakov, President (Russian Agency for Development of Small and Medium-sized Businesses, Moscow)

Key aspects in establishing national information and marketing networks for SMEs in Russia

Ms. Elena Emelianova, Vice-President (Moscow Fund for SME Promotion, Moscow)

Business and power: Integration of SME support

Mr. Aleksander Ioffe, President (Russian Association for the Development of Small-sized Enterprises (RASME), Moscow)

The role of EIC in providing information services for SMEs in Eastern Slovakia

Mr. Jan Hudacky, Executive Director (Regional Advisory and Information Centre, Presov)

Business information centre for the new millennium

Ms. Irena Rezec, Head (Euro Info Correspondence Centre at the Small Business Development Centre, Ljubljana)

Problems of legalization of subjects of entrepreneurial activity in Ukraine

Mr. Sergii Tretiakov, Deputy Chairman (State Committee of Ukraine for Regulatory Policy and Entrepreneurship, Kiev)

Policy for supporting SMEs in Ukraine

Mr. Oleksandr Pokreshchuk, Rector (Ukrainian Academy of Foreign Trade, Kiev)
