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TRADE AND DEVELOPMENT BOARD  
Commission on Enterprise, Business  
Facilitation and Development  
Expert Meeting on Clustering and  
Networking for SME Development  
Geneva, 2-4 September 1998  
Agenda item 3

**THE ROLE OF SUPPORT STRUCTURE - PUBLIC (MINISTRIES, REGIONAL  
GOVERNMENTS AND AGENCIES) AND PRIVATE (E.G. BUSINESS ASSOCIATIONS)-  
IN PROMOTING AND SUSTAINING CLUSTERING AND NETWORKING FOR SME DEVELOPMENT,  
INCLUDING POLICY RESPONSES TO PROBLEMS FOR SMEs IN ACCESS TO FINANCE**

Agreed conclusions and recommendations

1. The Expert Meeting reaffirmed the importance of SMEs and their critical contribution to employment, growth and development. It is also recognized that globalization has brought with it a new competitive environment and hence new requirements for sustained competitiveness and cooperation on the part of firms everywhere in the world.
2. The experts noted that clustering is a phenomenon in industrial development and thus over time the number of firms in a given branch and in a given location may restructure and grow. An emerging cluster attracts additional firms since inputs, machinery and qualified workers are easily available.
3. The experts also pointed out that clusters with intensive cooperation between firms, and firms and institutions, are much more rare, especially in developing countries and economies in transition. But it is this type of cluster that offers specific advantages and growth opportunities. Within a cluster of cooperative firms SMEs have more opportunity to become internationally competitive and to penetrate the global market. Clusters are often integrated into national and international networks which complement spatially concentrated clusters.

4. The experts discussed the relevance of clustering and networking for SME development, including the critical role of governments at all levels, business associations and other support institutions, including financial and educational institutions, and NGOs both individually and collectively in helping clusters and networks to grow sustainably. The experts made the recommendations set out below to the Commission on Enterprise, Business Facilitation and Development.

5. Considering the deep economic, social and political crisis facing most African countries, and taking into account the key importance of SMEs in Africa, it is highly recommended that special attention and assistance be accorded by local, national and international actors to the promotion and development of SMEs for ensuring the sustainable development of the continent.

***Addressed to governments***

6. Policy makers at all levels are invited to review their traditional industrial development policies with respect to both manufacturing and services and to give appropriate priority to promoting clustering and networking as an effective strategy for SME development.

7. Central governments, particularly in developing countries and economies in transition, are invited to maintain their focus on creating an enabling macroeconomic environment, and a favourable legal and regulatory framework, and providing basic infrastructure and services, including education, which encourage clusters and cooperation between firms. They are invited also to establish the appropriate level of decentralization for policy formulation and implementation, and for support measures for SME development.

8. Governments, together with non-governmental actors and public-private partnerships, are invited to aim at strengthening not only tangible but also and specifically intangible locational factors such as improving capabilities and responsiveness of local administrations, providing real services and strengthening an innovative milieu which would lead to positive linkages within the domestic economy and greater transfer of skills and technology. The experts suggested that this approach could also help address the problem of poor backward and forward linkages and the low level of technology and skills transfer.

9. Given the importance of information and knowledge acquisition and dissemination for the growth of dynamic clusters, measures should be taken to improve the exchange of information and transfer of knowledge through initiatives such as the exchange of personnel between firms, universities and vocational and technical schools, and the utilization of university outreach programmes for SMEs, benchmarking, monitoring and experience exchange programmes.

10. Given that measures to stimulate SME clustering and networking will need to be formulated and implemented at the local and regional levels, governments should encourage and empower meso-level institutions (e.g. trade, professional and business associations, NGOs and SME support systems) to play an active role in promoting SME networking and clustering rather than assisting individual firms.

11. Business incubators, innovation centres and technology parks are demonstrating effectiveness in creating successful enterprises, economic revitalization and other benefits, and should be initiated under appropriate conditions by universities, public-private partnerships and other agencies. Governments are invited to consider supporting such business development centres. Such organizations should be operated in a business-like way.

12. Experts stressed the potential benefit of effective private-public partnership to support the emergence of a local development vision and the implementation of actions to give effect to that vision. Governments at all levels are therefore encouraged to foster continuous and effective dialogue and consultation with the private sector in the policy-making process.

13. Governments should seek to achieve a balance between policies which stimulate both competition and cooperative behaviour which improves efficiency and competitiveness.

***Addressed to government, the international community and civil society***

14. Leadership and trust, which are crucial for effective networking and clustering, should be nurtured through innovative programmes which focus on bringing together a critical mass of committed and dynamic entrepreneurs.

15. Bearing in mind that policies and programmes must be tailored to the stage of evolution in the cluster, network or enterprise, governments, the international community and civil society are invited to promote SME clustering and networking through measures such as:

- creating SME networking opportunities (e.g. seminars, fairs, study tours, exchange of staff);
- developing manuals drawing on the expertise and experience of the relevant bodies on how to create and run a business association, business incubator, innovation centre, export production village and special economic zone, taking into account the stage of development and cultural diversity;

- encouraging cooperation among service providers, and avoiding oversupplying and overlapping business development services;
- promoting support systems which are initially partially subsidized, particularly when directed to innovation and venture creation.

16. Bilateral and multilateral bodies should:

- promote networking and periodic information exchange on their programmes and projects;
- work together to increase the synergy among their programmes, in particular between those which offer financial services and those which offer non-financial services.

17. The cost-effectiveness of alternative SME support programmes now needs to be verified by the responsible agencies. These programmes need to be evaluated on the basis of agreed indicators such as impact, sustainability, replicability, skills enhancement and linkages, impact on directly assisted businesses and other businesses, meso-level institutions and business-government links.

***Addressed to UNCTAD***

18. UNCTAD should prepare a study on innovative, non-fiscal incentives which can be used to stimulate clustering, promote investment, develop positive linkages within the domestic economy and bring about a greater transfer of skills and technology.

19. Given the importance of creating a culture of innovation within firms, the experts recommended that UNCTAD work together with other UN agencies (UNIDO, ITC, ILO, UNDP etc.) to realize the benefits from complementary SME programmes.

20. Given the importance of the proper choice of business development services, UNCTAD in association with the Committee of Donor Agencies on Small Enterprise Development should study evaluation methodologies and advise governments on appropriate evaluation methods for different circumstances. In this context, UNCTAD is requested to take action on the recommendation of the Expert Meeting on Government and Private Sector Roles and Interactions in SME Development, held in July 1997.