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**ECONOMIC COMMISSION FOR EUROPE**

COMMITTEE FOR TRADE, INDUSTRY AND  
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**Working Party on Industry and Enterprise Development**

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Item 5 of the provisional agenda

**REPORT OF REGIONAL ADVISORY SERVICES**

Note by the secretariat

1. The present note provides an overview of the activities of the UNECE Regional Advisory Services on Entrepreneurship and Small and Medium-sized Enterprises (SMEs). The overall goal of the UNECE Strategy for SME Development is to promote the development of SMEs in transition through sustainable and dynamic SME development.\* The objective is to promote the conditions that are necessary for the growth and development of the SME sector:

- A favourable policy and regulatory environment;
- Strong, sustainable institutions providing financial and non-financial services to meet the demand of small- and medium-sized enterprises;
- Improved access of low-income and disadvantaged entrepreneurs (including women, rural poor, young families, people with disabilities and ethnic minorities) to financial resources and business services.

2. The SME development programme promotes policy and regulatory reforms to create an enabling environment for the SME development, and support the creation and strengthening of

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\* The full text of the UNECE Strategy for SME Development can be found at the following Internet address: <http://www.unece.org/operact/enterp/documents/strat.pdf>.

formal institutions that foster business development, innovation and financial services to small- and medium-sized enterprises on a sustainable basis.

3. Particular attention will be paid to strengthening institutional capacities to provide services to start-up entrepreneurs, improve the competitiveness of SMEs and promote youth entrepreneurship.

4. The UNECE operational instruments for supporting SME development are central to the UNECE programme – expert groups of the Working Party on Industry and Enterprise Development (WP.8) including the Team of Specialists (TOS) on Industrial Restructuring, TOS on Youth Entrepreneurship, TOS on Quality Management Systems, Working Party on International Legal and Commercial Practices (WP.5), Working Party on Regulatory Cooperation and Standardization Policies (WP.6), Regional Advisory Services, technical assistance, provided within the ECE-CEI and ECE-BSEC cooperation agreements, SME Forums and SME Expert Meetings.

5. Regional Advisory Services, up to 31 December 2004, were provided in response to the requests for technical assistance and policy advice from member States and sub-regional intergovernmental organizations, such as the Organization of the Black Sea Economic Cooperation (BSEC), Central European Initiative (CEI), South Caucasian Economic Area Programme (SCEAP), Special Programme for the Economies of Central Asia (SPECAs) and Commonwealth of Independent States (CIS). They were tailored to the country or country-grouping situation, based on a comprehensive analysis of the obstacles and opportunities that confront small and medium-sized enterprises, resulting in the adoption of mutually reinforcing actions beneficial to SME development.

## **I. SMALL AND MEDIUM-SIZED ENTERPRISES**

### **(a) Development of SME Policies**

6. Efforts are oriented towards creating a unique platform by understanding the means and tools of sustainable entrepreneurship development, inter alia by elaborating sub-regional declarations on SMEs, especially within the framework of BSEC, CEI and CIS.

7. To assist countries in transition and emerging market economies, the UNECE since 1995 regularly updates and reviews the development of legislation and provides statistical data on SMEs in an effort to highlight the problems faced by the SME sector under the economic transition process in individual countries. On the basis of the UNECE Questionnaire on Small and Medium-sized Enterprises in Economies in Transition and Emerging Market Economies in 2002 and 2003 (ECE/TCU/2004/4), the Regional Adviser prepared a report on SMEs in Countries in Transition in 2002-2003. Twenty-five countries out of the 27 transition economies and new EU countries provided input. The report highlights the common and specific characteristics of the SME sector of the transition and emerging market economies, provides information on major legislative measures (laws, government decrees) related to entrepreneurship and SMEs, summarizes major procedures and practices in enterprise creation and licensing of entrepreneurial activities, a Strength-Weakness-Opportunities-Threats (SWOT) analysis of the SME sector in individual countries, and presents statistics collected from SME National Focal Points and other sources, such as the UNECE

database, EBRD, etc. It aims to disseminate good practices and share lessons learned by the UNECE transition and emerging market economies in the course of the creation of a market economy.

8. Based on the MoU signed between the CEI and UNECE Secretariats, the Regional Adviser on SMEs worked in close cooperation with the Chairperson of the CEI Working Group on SMEs to assist in revitalization of the CEI WG modalities of work and terms of reference. A joint CEI-UNECE SME Meeting was held on 30 March 2004 with participation of 12 CEI countries, the CEI Secretariat and the Head of BSEC PERMIS. The Regional Adviser co-organized the seventh International Conference on Entrepreneurship – The Best Answer to Future (24-26 November 2004, Portoroz, Slovenia), moderated the session on Entrepreneurship in Rural Areas and participated in preparing the proceedings of the conference.

9. At the request of the BSEC Permanent International Secretary the Regional Adviser assists the BSEC Working Group on SMEs in implementation of its programme of work. The Regional Adviser prepared a Questionnaire on Implementation of the BSEC Declaration on SMEs for the second Ministerial Meeting of the Working Group on SMEs to be held in 2005, and assisted in organizing the Workshop on Business Incubators for Nurturing Start-Ups (23-25 September 2004, Istanbul, Turkey), in cooperation with the Konrad Adenauer Foundation.

10. The Regional Adviser moderated a session on Promoting ITC use and E-business at the second OECD Ministerial International Conference on SMEs (4-5 June 2004, Istanbul).

11. At the invitation of the Vice-Prime Minister and Minister for Economy of the Republic of Moldova, the Regional Adviser organized a two-day Training Workshop on the Development of Entrepreneurship and the SME Sector in the Republic of Moldova (29-30 June, 2004). The purpose of the workshop was to stimulate further development of the SME sector by taking account of the best international practice and experiences in this field. The mission was supported with financial contributions from the Governments of Estonia and Slovenia, the Rachel Golden Foundation and the World Youth Bank.

12. The Regional Adviser participated in the SME National Conference held on 30 November 2004 in Belgrade (Serbia and Montenegro) and provided advisory services to the Serbian Government in developing medium-term entrepreneurship development policy.

13. The Regional Adviser made an advisory mission to the Ministry for Trade and Economic Development of Armenia to advise on the establishment of appropriate policy framework on SMEs, and to the SME Development National Centre of Armenia on the Programme for Small and Medium Entrepreneurship of the State Support for 2005.

## **FUTURE WORK**

14. A study tour to Hungary will be organized in 2005, in cooperation with the Government of Germany, for high-level government officials, heads of SME support institutions and heads of NGOs representing the interests of entrepreneurs from Armenia, Azerbaijan and Georgia. The aim is to learn from the experience and practice of Hungary, as an example of a centrally planned country that has successfully transformed its political and economic system to a market economy.

15. An advisory and training workshop for high-level government officials in Tbilisi (Georgia) is being prepared. A technical advisory mission is scheduled for 2005. A proposal for the establishment of a Working Group on SMEs within the framework of SPECA is being considered by SPECA participating countries. Preparations are underway for a Round Table Discussion on the role of entrepreneurs in the twenty-first century, to be held in early 2005 in a UNECE member country.

16. The Regional Adviser on Entrepreneurship and SMEs elaborated a UNECE Guide on Business Ethics for Start-up Entrepreneurs and SMEs – The Principles for Responsible Entrepreneurship (see document ECE/TRADE/348). The draft of this Guide was sent for preliminary remarks by high-level policy makers, experts, NGOs and entrepreneurs. It was also presented at the Expert Meeting on Good Governance for SMEs.

(b) Best Practice in SME Policies

17. The sixth Forum on Best Practice in Development of Entrepreneurship and SMEs in Countries in Transition: The Romanian and Slovak Experiences was held on 31 March 2004. As an in-kind contribution, the National Agency for SMEs and Cooperatives of Romania and the Ministry of Economy of Slovakia jointly with UNECE prepared appropriate publications, which were distributed amongst the participants.

18. In 2004, the Ministry of Economy, Labour and Entrepreneurship of Croatia printed a joint UNECE-Croatian document on “The Croatian Experience in Entrepreneurship and SME Development”, which was presented at the European Day of Entrepreneurs and the Zagreb Conference on Fostering Social Cohesion through Social Entrepreneurship, held in October 2004. The Regional Adviser made opening statement and presentation on social entrepreneurship, as well as made summary remarks at the closing session of this event.

19. An Expert Meeting on Good Governance for SMEs was held on 1-2 April 2004. Good governance is an important element in economic growth. It is increasingly evident that the quality of governance is a contributory factor to improved economic performance. Good governance for SMEs means practices that could encourage the establishment of SMEs, and methods that are useful for start-up business to tackle the challenges of market. The papers prepared for the meeting are available at <http://www.unece.org/indust/sme/papers.html>. A round table discussion was organized with twelve owners/entrepreneurs on the role of central and local governments, business community and civil society in doing and supporting businesses (see <http://www.unece.org/indust/sme/views.html>).

20. The seventh Forum on Best Practice Development of Entrepreneurship and SMEs: The Baltic Experiences, will be held during the annual session of the Committee of Industry, Trade and Enterprise Development in May 2005.

## **II. INCREASING COMPETITIVENESS OF SMEs**

(a) Team of Specialists on Quality Management Systems (TOS on QMS)

21. For a progress report on the activities of the TOS on QMS, see document TRADE/WP.8/2005/7. The Regional Adviser in cooperation with the Vice-Chairperson of the TOS on QMS, has been preparing a Guide on Integrated Quality Management System. The objective is to elaborate approaches and guidelines on how enterprises, especially SMEs, could develop and monitor quality, environmental, social and other aspects of a company's activities as a part of a sustainable development process.

(b) Team of Specialists on Youth Entrepreneurship

22. For a progress report on the activities of the TOS on Youth Entrepreneurship see document TRADE/WP.8/2005/8.

23. The activities of the Regional Adviser are focused on the creation of a favourable environment for start-up entrepreneurs as part of the overall and nationwide entrepreneurship and SME policy. A draft UNECE Guide on how to support youth entrepreneurship was discussed at the fourth Meeting of the TOS on Youth Entrepreneurship. The participants agreed that there is a need for a national youth policy, which encapsulates the Government vision concerning young people. Such a policy mainstreams youth-related policies by all sectoral ministries, provides directions and priorities for the distribution of government resources to solve the problems faced by youth, and to meet the requirements and needs of the young generation, particularly the most disadvantaged.

(c) Other SME-related activities

24. A Virtual Network of SME National Focal Points has been created, based on the highest government authorities responsible for the development of entrepreneurship and the SME sector. The network serves as a basis for policy formulation, statistics, and organizing SME related events. The network is updated regularly.

25. The Regional Adviser is the UNECE liaison for the World Association for SMEs (WASME), and maintains contact and exchanges information with representatives of the Directorate B Promotion on Entrepreneurship and SMEs of the EC Enterprise Directorate General.

## **DONOR ACTIVITIES**

26. The following donor countries and organizations gave financial support to the UNECE activities in entrepreneurship and SME development :

- (i) Governments of Croatia, Estonia, Romania and Slovenia;
- (ii) Konrad Adenauer Foundation (Germany), DAFCO Délégation Académique à la Formation Continue (France), Golden Rachel Foundation (USA), the ProSME Bureau powered by the GTZ (Germany), Small Business Development Centre (Slovenia), and World Youth Bank Network (Croatia)

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