

ANNEX 9 – INDEX OF ADDITIONAL ANNEXES PART I

Joint publication of OECD and UNIDO

Effective Policies for Small Business. A Guide for the Policy Review Process and the Development of Strategic Plans for Micro, Small and Medium Enterprises

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Annex 9.1 - A Qualitative Definition of Small Firms

Most micro, small and medium businesses are owner-managed by individuals, teams and/or families. Personal and family assets are often significantly at risk. Being a small business person means fundamentally standing alone, coping with, and enjoying, high levels of autonomy. Small businesses usually operate with limited resources in, more or less, uncertain environments with high levels of interdependency upon a range of stakeholders, (customers, suppliers, regulatory authorities, banks, accountants, lawyers, property owners and others). Coping with uncertainty on a day-t-day basis and managing these transactional and regulatory stakeholder relationships is at the core of the 'way of life'. Business networks become social networks and the entrepreneur's ego and social standing in the community is affected by success or otherwise. Owner managers have to be close to their customers and be able to cope with total responsibility managing a complete range of tasks over the whole of the business. Rewards are very directly and often painfully, linked to success in managing these tasks ('if you don't sell you don't live'). There is great scope for individual initiative and responsibility as well as for change and flexibility in a frequently, very informal, atmosphere. It is personal relationships, externally and internally, and the culture they create, that hold the organisation together and give meaning to the environment rather than formalised systems or promotions. Critically the development of the business is virtually synonymous with the development of the owner managers, their team and the staff.

Annex 9.2.1 - Extract from UK Department of Industry Statistical Publication on Small and Medium Enterprises

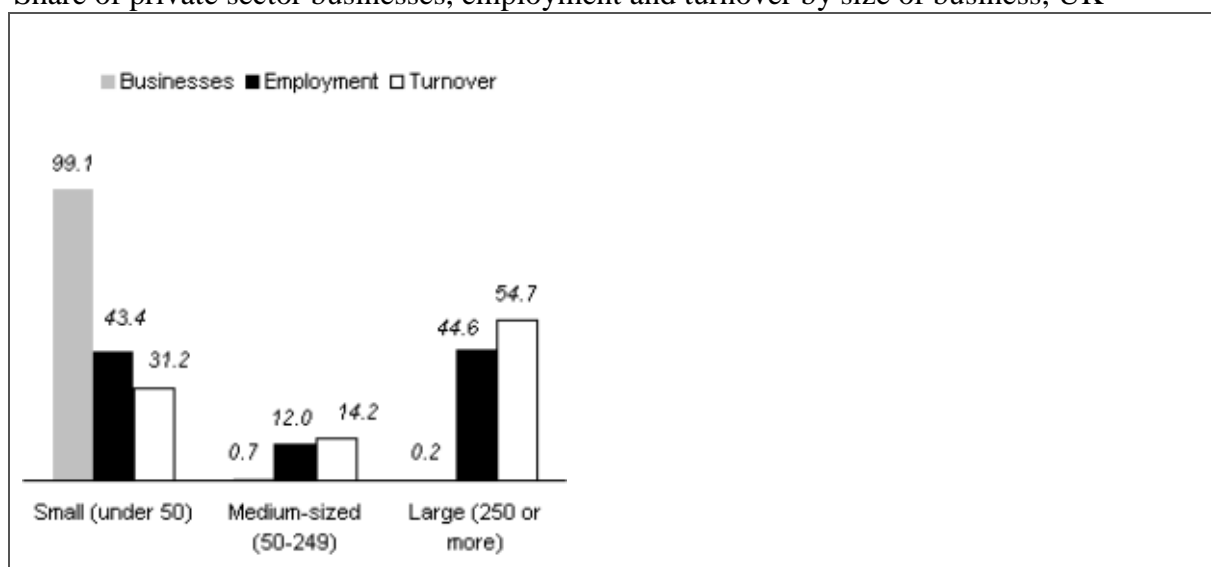
Small and Medium-sized Enterprise (SME) Statistics for the UK, 2001

It is estimated that there were 3.7 million active businesses in the UK at the start of 2001, with a small increase on 2000 figures.

The statistics contain a size breakdown of the number of businesses in the UK, from small traders with no employees to those with 500 or more employees. They also show the contribution to employment and turnover made by businesses of different sizes, industry by industry.

Figure 1

Share of private sector businesses, employment and turnover by size of business, UK



Source: Small Business Service

Small, Medium and Large Businesses

Of the entire business population of 3.7 million enterprises less than 28,000 were medium-sized (50-249 employees) and less than 7,000 were large (250 employees or more). Small businesses, including those without employees, accounted for over 99 percent of businesses, about 43 percent of non-government employment and 31 percent of turnover. In contrast the 7,000 largest businesses accounted for 45 percent of non-government employment and 55 percent of turnover (see Figure 1).

Trend in the number of businesses

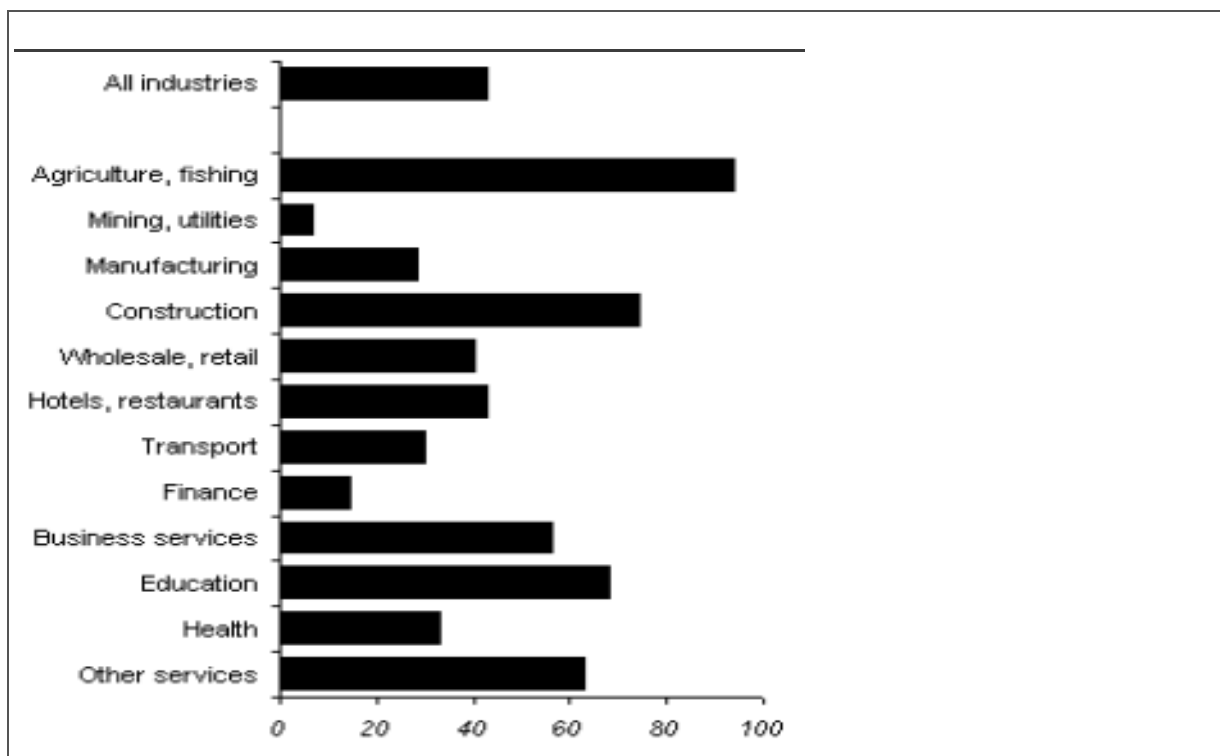
The stock of enterprises has again remained at a level comparable to the last few years. The business stock is more than 1.3 million above the level in 1980, the first year for which comparable figures are available. Most of the growth in the business population has been in the number of 'micro' businesses employing fewer than ten people and in the number of one-person companies. 2001 also saw the number of medium-sized companies reach 27,000 for the first time since 1994.

Businesses with and without employees

Of the 3.7 million businesses trading at the start of 2001, almost 2.6 million were sole proprietorships and partnerships comprising only the self-employed owner-manager(s), companies comprising only an employee director. Approximately 1.15 million businesses were employers [1] , a slight increase on 2000.

Figure 2

Share of employment in small businesses (less than 50 employees) by industry sector, UK



Source: Small Business Service

Industry Patterns

At the start of 2001 at least 95 percent of businesses in all industries were SMEs. The share of employment provided by small businesses (0-49 employees) varied greatly between industries. In finance for instance it is about 15 percent compared to 75 percent in construction (see Figure 2).

The share of turnover is similarly variable between industries (see full dataset for details). The detailed industry figures (down to three-digit SIC level) show just how diverse SME employment is, with large numbers in both retail and architecture for instance.

National Statistics

National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.

UK number, thousands, £million and %					
		Size (number of employees)			
	=100%	none	1-49	50-249	250+
Enterprises					
All industries	3,746,340	69.3	29.8	0.7	0.2
Agriculture, forestry and fishing	181,140	68.8	31.1	0.1	0.0
Mining, quarrying, energy, water	5,800	69.7	26.2	2.5	1.6
Manufacturing	292,750	57.2	39.1	3.0	0.8
Construction	691,800	82.6	17.1	0.3	0.0
Wholesale, retail and repairs	541,655	51.8	47.1	0.8	0.2
Hotels and restaurants	123,425	13.7	84.6	1.4	0.2
Transport, storage, communication	235,565	80.7	18.5	0.6	0.2
Financial intermediation	64,300	71.9	26.5	1.0	0.5
Real estate, business activities	867,485	69.3	30.0	0.5	0.1
Education	117,430	89.3	10.2	0.4	0.1
Health and social work	233,035	77.6	21.2	1.0	0.2
Other social/personal services	391,955	78.5	21.1	0.3	0.1
Employment ('000)					
All industries	22,622	12.8	30.6	12.0	44.6
Agriculture, forestry and fishing	452	40.3	53.8	*	*
Mining, quarrying, energy, water	221	2.2	5.1	*	*
Manufacturing	4,103	4.7	24.3	21.8	49.2
Construction	1,666	36.1	38.7	9.7	15.5
Wholesale, retail and repairs	4,652	7.0	33.6	9.5	49.9
Hotels and restaurants	1,560	1.6	41.8	10.4	46.2
Transport, storage, communication	1,657	12.6	17.9	8.6	60.9
Financial intermediation	1,076	4.7	10.3	*	78.5
Real estate, business activities	3,491	18.5	38.4	13.4	29.8
Education	289	38.2	30.2	16.0	15.6
Health and social work	2,253	9.4	24.1	8.5	58.0
Other social/personal services	1,200	27.3	35.9	9.9	26.9
Turnover (£million)					
All industries	2,112,013	7.2	29.0	15.1	48.6
Agriculture, forestry and fishing	26,250	24.6	67.4	*	*
Mining, quarrying, energy, water	95,418	6.6	3.4	*	*
Manufacturing	457,239	1.7	16.4	18.3	63.6
Construction	136,927	18.7	40.0	16.0	25.3
Wholesale, retail and repairs	725,436	4.9	32.9	15.0	47.2
Hotels and restaurants	49,359	3.1	43.9	11.4	41.5
Transport, storage, communication	168,449	5.3	20.2	12.6	61.9
Financial intermediation**					
Real estate, business activities	292,203	13.9	41.0	17.1	28.1
Education	9,912	26.1	42.5	17.5	14.0
Health and social work	74,911	5.5	23.9	7.4	63.2
Other social/personal services	75,909	17.2	34.2	12.0	36.5

Source: Small Business Service.

Numbers are rounded to the nearest 5 to avoid disclosure. Counts of less than 3 appear as zero.

* replaces data for groups of fewer than 20 enterprises to avoid disclosure.

** turnover for the finance industry is not available on a comparable basis.

Notes

SME Statistics

1. There is no single source of estimates of the business population. The SME statistics are compiled using a variety of sources; the main source in the Inter Departmental Business Register administered by the Office for National Statistics.
2. The SME statistics are published eighteen months after the start of the reference year. This reflects the long delays in the reporting of a minority of business births and deaths, and the time taken to record employment in all existing enterprises.
3. The estimates provided here take account of the very small businesses that do not appear on the official business register. Since they are estimated using survey data, the reliability of the statistics is lower for the smallest size class.
4. More detailed statistics showing the size breakdown of the number of businesses and their employment and turnover in each of the UK's 200 main industries and services are available free of charge. They can be downloaded from the Small Business Service website at www.sbs.gov.uk/statistics or can be emailed on request from ian.thomson@sbs.gov.uk. These statistics were formerly available as the statistical bulletin Small and Medium-sized Enterprise (SME) Statistics for the UK.

Small Business Service

The Small Business Service (SBS) was launched in April 2000 to provide a single organisation in Government dedicated to helping small firms and representing them within Government. Its mission is to build an enterprise society in which small firms of all kinds thrive and achieve their potential.

The main objectives of the SBS are to:

- help all small businesses realise their potential
- provide world class business support services to enhance the performance of small businesses with growth potential
- promote enterprise across society and particularly in under-represented and disadvantaged groups

The SBS is responsible for the network of Business Links which provide information, advice and access to experts on all issues relating to running your own business. It also runs national services to help small firms such as the Benchmarking service, the Small Firms Loan Guarantee Scheme, the High Technology Fund and Smart grants for technology transfer.

For enquiries relating to these statistics contact Ian Thomson on 0114 259 7537.

For all other general enquiries please contact:

SBS Enquiry Line

T: 0114 259 7788

1) In previous years (before 2000) one-person companies have been included in the '1-4 employee' size-class, along with small employers. However, most are sole traders who, in the act of setting up a limited company, have changed their status from self-employed trader to employee-director. Therefore they are now included in the 'no employee' size-class alongside sole traders.

Annex 9.2.2 - Example of Statistical Monitoring – The European Observatory

See pdf file

EU Observatory 2002

Annex 9.3 - Selection of Small Business Related Internet Web Sites*

These Internet Websites provide information about SME development and public policy. A number provide examples of the type of information and services that are being offered by the Department of Small Business of governments from around the world. They also embrace examples of what private sector organisations are doing to promote and support the development and growth of their member companies.

American Express Small Business Web-site

<http://www.americanexpress.com/smallbusiness>

This site was developed by American Express for SMEs.

ANSI On-line

<http://www.ansi.org>

The site of the American National Standards Institute (ANSI) sets the American standards for a wide variety of products and technologies. It provides links to many other standards organisations.

APPLE Computer Small Business On-line

<http://www.apple.com/smallbusiness>

This small business web-site was developed by Apple Computer Corporation.

Black Enterprise On-line

<http://www.blackenterprise.com>

Full of tips and techniques that focus on helping black entrepreneurs.

The Business Times

<http://www.asia1.com.sg/biztimes/>

This site provides business information about doing business in the Far East.

Centre for International Private Enterprise (CIPE)

<http://www.cipe.org>

An affiliate of the US Chamber of Commerce with a strong focus upon promotion of private enterprise world –wide. Gateway to information on international small business associations.

Commerce Net

<http://www.commerce.net>

This site represents an industry association of 150 organisations doing business on the Internet.

DePaul University Institute for Business and Professional Ethics

<http://condor.depaul.edu/ethics/>

An excellent resource of information for entrepreneurs who want to conduct business ethically.

The Economist

<http://www.economist.com>

This is the online site for The Economist business journal

European Union

<http://www.europa.eu.int/comm./entrepreneurship/support/start-ups/helping.htm>

<http://www.europa.eu.int/comm./enterprise/entrepreneurship/support-measures/reports-studies.htm>

<http://www.europa.eu.int/comm/enterprise/sme>

These sites are gateways to European Commission Information on SMEs

Export Source: Canada's Online Export Support Centre

<http://exportsource.gc.ca>

This site is designed to help Canadian companies export their goods and services around the world.

IBM Business Center (U.S)

<http://www.businesscenter.ibm.com>

This is a web-site developed by International Business Machines that is designed as an information center for SMEs.

Industry Canada's Business Web-site

<http://strategis.ic.gc.ca>

This is one of the most comprehensive business support web-sites in the world covering a wide-range of business topics that are of interest to SMEs.

International Business Forum

<http://www.ibf.com>

This site is designed for entrepreneurs who want to participate in the international marketplace. It includes extensive lists of resources in various countries, postings of opportunities and information about various associations.

International Labour Organisation

<http://www.ilo.org>

The International Labour Organization Enterprise and Cooperative Development Department web-site provides information about the types of SME development and support activities being undertaken by that institution. It tends to be more focused on policy and regulatory issues, as well as employment creation at SME level. It also focuses on the unique qualities of SME business cooperatives and the programmes that support their development.

International Trade Administration

<http://ita.doc.gov>

This site is by a division of the Department of Commerce in the US. It offers help to companies that wish to export their goods and services. It has information about export opportunities for specific industries, as well as information about specific nations.

InterAmerican Development Bank

<http://www.iadb.org>

This is the web-site of the InterAmerican Development Bank. It provides information about the activities of IADB.

ISO On-line

<http://www.iso.ch>

This is a web-site for the International Organisation for Standardisation (ISO) , the international standards setting organisation. This site explains ISO's work and provides information about the ISO 9000 standard for quality management and assurance.

National Commission on Entrepreneurship (USA)

<http://www.ncoe.org>

This is an extremely useful US information and research service on SMEs

National SBDC Research Network

<http://www.smallbiz.suny.edu>

Administered by the State University of New York, an important source of information for entrepreneurs. It includes a list of US small- business development centres this site is and links to many Internet sources.

Organisation for Economic Cooperation and Development Web-sites

<http://www.oecd.org>

This site includes many topics that are of interest to SME policy specialists. For example:

- [dsti/sme/news.htm](#) Small Business News
- [sge/ccet/cdge0706/intor.hem](#) Small firms as investors
- [dsti/iccp/a/moro/htm](#) The Rise of Women Entrepreneurs
- [daf/ccp/CARTEL01.htm](#) Exemption from horizontal cooperation agreements for SMEs from a general cartel band.
- [publications/catalog/23/2394021/html](#) OECD publications – Taxation and Small business
- [dsti/sme/issues.htm](#) OECD Conference on women entrepreneurs in SMEs, including an excellent who's who list of Women in business. A major force in innovation and job creation
- [tds/entrep.htm](#) Entrepreneurship and small business activities
OECD "Job Studies & Facts, Analysis, Strategies"
- [sge/ccet/cd200205/present.htm](#) Small Business in Transition economies.
- [Dsti/sme/entrepreneur.htm](#) OECD work on Entrepreneurship

Self-employed On-line

<http://www.selfemployed.com>

This is a site that provides business information to the self-employed.

SOHO Central

<http://www.hoaa.com>

This is the home page for the Home Office Association of America, the organisation for full-time, home-based business operators.

Small Business Advancement National Center

<http://www.sbaer.uca.edu>

This small business web-site is administered by the University of Central Arkansas – it includes research reports about entrepreneurship and links to other business- related sites.

Success Magazine On-line

<http://www.success.com>

This is the web-site magazine version of Success Magazine, which is written for entrepreneurs.

Reuters Business Summary

<http://www.yahoo.com/headlines/business>

Great for a quick but somewhat shallow overview of the leading business news stories of the day.

The Small Business Advisor

<http://www.isquare.com>

This web-site assists both start-ups and established companies.

Small Business Administration

<http://www.sba.gov>

This is the US government web-site for small business. It provides information about starting, financing and expanding a business.

Small Business Law Center (US)

<http://www.courttv.com/legalhelp/business/sites>

This site has links to a number of legal resources for entrepreneurs.

Small Business Research Portal

<http://www.smallbusinessportal.co.uk>

A UK based research network portal that gives access to mainly academic papers and conferences internationally

Trademark Law

<http://www.law.cornell.edu/toics/trademark.html>

Information about US trademark law. The Lanham Act and recent US Supreme Court decision regarding trademarks. This site also discusses intellectual property issues.

United Nations Capital Development Fund Web-site

<http://www.undp.org>

UNCDF is a multilateral donor organisation under the administration of the United Nations Development Programme. It works to reduce poverty in least developed countries through strengthening the local government and community institutions, enhancing the private sector, creating mechanisms for the provision of credit to the poor and swapping capital investments for the environmentally sound use of natural resources. The Special Unit for Microfinance is a collaboration between the United Nations Development Programme and the United Nations Capital Development Fund to enhance the private sector in developing countries and create mechanisms for the provision of credit to the poor. Its individual web-site is located at the following URL: <http://www.undp.org/uncdf/sum/index.htm>

United Nations Conference on Trade and Development

<http://www.unctad.org>

The UNCTAD Home Page provides information about the research and development and trade activities and conferences managed by UNCTAD that are specifically designed to support the development and growth of SMEs around the world, particularly in newly emerging economies.

United Nations Industrial Development Organisation

<http://www.unido.org>

This UN web-site provides a wealth of information about the programs and activities that UNIDO is pursuing in support of SME manufacturing sector in emerging countries.

United States Business Advisor

<http://www.business.gov>

The large US site offers information about government agencies and regulations that affect entrepreneurs. It is a good site to get a sense of the small business policy environment that exists in the United States.

The World Bank

<http://www.worldbank.org>

The World Bank web-site provides the latest information about its own activities, including information about research studies and other publications.

Ottawa Entrepreneurship Centre

<http://www.entrepreneurship.com>

The Ottawa Entrepreneurship Centre's mandate is to assist entrepreneurs attain their goal of self-employment through the development of a new or existing business in the Ottawa region. The Entrepreneurship Centre is assisted by volunteers, and offers workshops, training and consulting at very accessible prices. The Business Start-Up Training Program and the Web-Based Training Program, as well as their business plan sample are to be noticed. Interesting, but of highest utility for people in the Ottawa area.

National Federation of Independent Business

<http://www.nfibonline.com>

The National Federation of Independent Business is the largest advocacy organisation representing small and independent businesses and working for the advancement of the concerns of small-business owners among state and federal legislators and regulators. Site includes daily news, workshops and an issues database. NFIB was created to give small and independent business a voice in governmental decision making. The information found there would be helpful for everybody, but the main target of this site is American.

The Women's Business Centre

<http://www.onlinewbc.gov>

The Women's Business Centre covers everything women need to know to start, run and grow their business: from the basics such as the business plan, to marketing, financing, Internet and e-commerce. Primarily made for women, but everybody can benefit from their excellent articles and advice, all organised under the form of courses.

Digital Women

<http://www.digital-women.com>

Digital-Women was created for women in business, business women and all women around the globe looking for a place to gather resources, business tips, sales and marketing tips, home business ideas, and a place to network with other business women and women owned businesses.. It is in theory for women, but in practice, it is accessible to everybody.

Business Exchange

<http://www.businessnation.com>

This site contains resources to aid entrepreneurs in all aspects of their business, may it be finding publications or interest or leasing office space. The site also hosts a discussion forum for entrepreneurs to discuss business-related topics.

Education

<http://www.eduscapes.com/42explore/entrep.htm>

This site has an educational goal. In fact, it seeks to explain the term entrepreneur and then to help the viewer go more in depth by offering links to other sites that promote the development of entrepreneurship. This page also offers some activities to further one's knowledge of what it takes to be an entrepreneur.

Cisco

http://www.ecenteronline.org/useful_websites.asp

This site was developed by Cisco and offers many links to other sites of interest. This page is an example of a site aimed at a specific population on a local basis, as many of the resources offered concern the state of California.

Global Entrepreneurship Institute

<http://www.gcise.org/>

We work as a non-profit "open source" online resource for high tech entrepreneurs. This site operated by the Global Entrepreneurship Institute, a non-profit educational organisation.

Centre for Entrepreneurial Leadership

<http://www.entreworld.org/>

Operated by the Kauffman Center for Entrepreneurial Leadership, this page offers links to help entrepreneurs in starting their business and making it grow.

*Some of these sites are extracted from Lee.S. (2000 'The Top 200 Websites for Small Business.' Kogan Page London

Annex 9.4.1 - Example from Global Entrepreneurship Monitor (GEM) Survey 1999

Adult Population Survey Interview Schedule: February – March 1999

Q.1 Which of the following would apply to you? [YES or NO]

- a. You are, alone or with others, currently trying to start a new business.
- b. You are, alone or with others, trying to start a new business or a new venture with your employer – an effort that is part of your normal work.
- c. You are, alone or with others, the owner of a company you help manage.
- d. You have, in the past three years, personally provided funds for a new business started by someone else – this would not include buying publicly traded shares or mutual funds.
- e. You think that if there were good opportunities for businesses, one of your friends of family would try to start a new firm.
- f. It would be a major problem for you if, every five years, you had to change employers, even if you did not have to move.
- g. You think starting a new business a respected occupation in your community.
- h. You think there is much resentment in your community of people who make a lot of money from businesses they start themselves.
- i. You think that in the next 6 months good opportunities will have developed for starting a new business in your community.
- j. You think that if someone's business failed in your community it would be considered a personal failure.

IF NO TO Q.1a AND Q.1b, GO TO INSTRUCTIONS ABOVE Q.2f.

IF YES TO Q.1a OR Q.1b OR BOTH, ASK Q.2a.

Q.2a You mentioned previously that you are trying to start a new business. Will you personally own all, part or none of this business?

1 All 2 Part 3 None 4 Don't know 5 Refused

IF Q.2a IS CODE 3 (NONE) GO TO INSTRUCTIONS ABOVE Q.2f

Q.2b...and in the past 12 months, have you done anything to help start this new business, such as looking for equipment or a location, organising a start-up team, working on a business plan, beginning to save money, or any other activity that would help launch a business?

1 Yes 2 No 3 Don't know 4 Refused

IF Q.2b IS CODE 2 (NO) GO TO INSTRUCTIONS ABOVE Q.2f

Q.2c Has the new business paid any full time salaries or wages, including your own, for more than three months?

1 Yes 2 No 3 Don't know 4 Refused

Q.2d What kind of business is this? What will it be selling?

Q.2e How many employees, not including the owners, do you expect this business to have when it is five years old?

IF NO TO Q.1d EXIT SECTION. IF YES TO Q.1d ASK Q.2f

Q.2f You mentioned previously that you have personally provided funds for a new business start-up other than your own. Approximately, how much, in total, have you personally provided to these business start-ups in the past three years?

Annex 9.4.2 - Example of EU European Barometer Survey and Questionnaire

See pdf file

Eurobarometer Enterprise 2002

Annex 9.5 - Some basic principles to guide the role of the Central Government in Micro and Small Scale Enterprise (MSSE) support

It is important that central governments understand what they can and what they cannot do effectively in supporting SME development over and above their responsibilities in managing the social and economic environment and creating a level playing field. The following principles are offered as a basis for discussion for consideration. They are drawn from observation of good and bad practice. They are the author's own views but can be justified via analysis of best international practice.

The Central Government can:

- Promote entrepreneurial ways of doing things in its own agencies
- Delegate real power to the local level
- Encourage truly bottom-up development
- Encourage appropriate differentiation and diversity in small business assistance in response to local needs
- Maximise the use of the energies of entrepreneurs in the community
- Give status to entrepreneurs in the community as role models
- Promote careful segmentation of SME sector to meet needs
- Seek to add value incrementally to existing stakeholder activity
- 'Make markets' by sensitising demand and supply
- Support the building of sustainable local institutions via stakeholder partnerships
- Build upon the strengths of local 'know who' and build local social capital
- Promote communication networks and trust at the local level
- Trust private sector and local ways of doing things
- Use public funds to flexibly leverage entrepreneurial energy
- Build entrepreneurial organisations for the delivery of small business support
- Focus upon measures of effectiveness in its promotional activities rather than just outputs
- Seek to bring forward the future to small firms in an appropriate language and form
- Build upon the 'need to know' pressures and triggers of enterprise development
- Take risks in the pursuit of the above
- Take a long term strategic view

The Central Government should seek to avoid:

- Offering direct central services to SMEs
- Introducing corporate business norms into business support management
- Excessive standardisation and reductionism for the sake of public accountability
- Centrally imposing detailed programmes and targets
- Becoming the customer for local organisations by creating highly targeted dependency funding
- Centralisation of support organisations
- Bureaucratic forms of co-ordination of entrepreneurial support activity
- Confusing making markets with the pursuit of for profit activity
- Patronising the firm by offering it large amounts of corporate advice
- Delivering information and knowledge to businesses in inappropriate forms.

The Deliverable Services

The above guidelines indicate that there is a substantial role for central government and central agencies in SME development. Activities that can be pursued, over and above those of ensuring a 'level' regulatory playing field and a supportive macro economic and social environment, include:

- Training governmental and public agency staff in "enterprise culture"
- Sensitively monitoring the health of the private sector, nationally and regionally
- Establishing effective means of ongoing communication
- Carrying forward the 'know how' of enterprise development over time
- Supporting programme research and development
- Facilitating local and regional experience exchange
- Bringing in appropriate ideas from abroad
- Supporting local agencies in networking internationally
- Providing resource for needs analysis
- Supporting evaluation and feasibility studies
- Providing guidance on effectiveness criteria for support development
- Supporting personnel training and development of appropriate standards
- Harmonising the local work of central ministries
- Co-ordinating with local government efforts
- Bringing in the new information and communication technologies
- Ensuring local needs are adequately represented on a national level
- Identifying gaps in infrastructure in support of small businesses
- Overall, providing promotional support for local efforts where necessary
- Presenting sector 'futures' scenarios in forms appropriate to the 'need to know' of the small firms

Annex 9.6 - Measuring regulations against the five Principles of Good Regulation (UK)*

Transparency	<ul style="list-style-type: none"> • The case for a regulation should be clearly made and the purpose clearly communicated • Proper consultation should take place before creating and implementing a regulation • Penalties for non-compliance should be clearly spelt out • Regulations should be simple and clear and come with guidance in plain English <p>Those being regulated should be made aware of their obligations and given support and time to comply by the enforcing of authorities with examples of methods of compliance</p>
Accountability	<ul style="list-style-type: none"> • Regulators and enforcers should be clearly accountable to government and citizens and to parliaments and assemblies • Those being regulated must understand their responsibility for their actions • There should be a well-publicised, accessible, fair and efficient appeals procedure <p>Enforcers should be given the powers to be effective but fair</p>
Proportionality	<ul style="list-style-type: none"> • Any enforcement action (i.e. inspection, sanctions etc.) should be in proportion to the risk, with penalties proportionate to the harm done • Compliance should be affordable to those regulated-regulators should ‘think small first’ <p>Alternatives to state regulation should be fully considered, as they might be more effective and cheaper to apply</p>
Consistency	<ul style="list-style-type: none"> • New regulations should be consistent with existing regulations • Departmental regulators should be consistent with each other • Enforcement agencies should apply regulations consistently across the country • Regulations should be compatible with international trade rules, EC law and competition policy <p>EC Directives, once agreed, should be consistently applied across the Union and transposed without ‘gold-plating’.</p>
Targeting	<ul style="list-style-type: none"> • Regulations should be aimed at the problem and avoid a scattergun approach • Where possible, a goals-based approach should be used, with enforcers and those being regulated given flexibility in deciding how best to achieve clear, unambiguous targets • Regulations should be reviewed from time to time to test whether they are still necessary and effective. If not, they should be modified or eliminated • Where regulation disproportionately affects small businesses, the state should consider support options for those who are disadvantaged, including direct compensation

*extracted from ‘Principles of Good Regulation’ published by the UK Better Regulation Task Force

Annex 9.7 - Some examples of Enterprise Education Programmes in Central and Eastern Europe supported by the UK Department for International Development

From 1990 to 2003 programmes have been undertaken in the following countries:

Hungary Two programmes have been developed in partnership with the Foundation for Small Enterprise Education Development (SEED) and the National Institute of Teacher Training. The first involved the development of enterprise education in secondary schools, and the second focused on vocational colleges. Both have been widely disseminated throughout Hungary

Contacts: Small Enterprise Economic Development Foundation (SEED)
National Institute of Teacher Training

Latvia: Three programmes have been developed in partnership with the Ministry of Education and head teachers of prominent secondary schools. The two completed programmes continue to be delivered via a network of trainers. The first, “Working for Myself”, involved students in vocational colleges, the second focused on vocational schools and English speaking grammar schools, and the third programme was aimed at Initial Teacher Training (ITT) institutions building upon the previous secondary school programme. With a scheme already in place to introduce practising teachers to Enterprise Education the intention is to establish an infrastructure that will guarantee the long-term sustainability of enterprising methodology.

Contacts: Ministry of Education
Initial Teacher Training (ITT) Institutions
Riga Commerce School

Poland: Two programmes have been completed; the first introduced Enterprise Education via secondary school teachers. Key partners were the Stefan Batory Foundation and the Ministry of Education and its Initial Teacher Training Department. The second programme focused on the development of self-employment capability in Vocational Education and Training.

Contacts: Stefan Batory Foundation
Ministry of Education and its Initial Teacher Training Department
Institute of Vocational Education and Training
Economic Foundation of Solidarnosz

Russia: Enterprise Education was introduced into all secondary schools within the Samara Oblast as part of the Ministry of Education’s restructuring programme. The local partners were the Ministry of Education and the International Market Institute.

Contacts: Samaran Ministry of Education

International Market Institute

- Slovenia:** Three programmes have been completed. The first introduced Enterprise Education into Vocational Schools and the second was aimed at the development of Enterprise and Business Understanding within the core curriculum of all gymnasia. Both have been nationally disseminated via a group of committed teacher trainers. The third programme focuses on teachers of vocational trades and is designed to develop small business capability and knowledge in students and teachers. All programmes have been developed in partnership with the National Vocational Centre, Ministry of Education and National Education Institute.
- Contacts:** National Vocational Centre, Ministry of Education
National Education Institute
- Ukraine:** A substantial three year programme of Enterprise Education in secondary schools in Western Ukraine. Completed in June 2003.
- Contacts:** Departments of Education in Lviv Oblast
Lviv City and Zhovkva Region

Annex 9.8 - Private Sector led Partnerships for Development (PSPD) in support of SMEs

A Concept Note

What PSPD means – how it is manifested and what it means for donors

What PSPD means

Overall it means that efforts are focussed substantially upon raising the capacity of the SME sector to help itself and contribute more substantially to the solution of broader problems of development including poverty alleviation, health, education and social exclusion.

The stance of ‘government’ moves away from one of direct management and regulation towards one of ‘governance’ involving pursuit of new partnership mechanisms for support of individual and collective initiative.

The overriding objective is to foster the development of a society which allows greater scope for entrepreneurship and initiative based more substantially upon self regulation and trust underpinned by a strong civil code of ethics and social responsibility. There is natural emphasis upon partnership and upon achieving a fair, balanced and stable ‘level playing field’ for enterprise development.

How it is manifested

In *Government Policy* by:

- A clear stance on when and how to intervene in the process of business and social development
- A strategic vision statement that underpins the principle of private sector partnership development together with a clear conceptualisation
- Support for enhancing the capacity of the private sector to play a more substantive role in economic and social development involving the setting of clear sector development targets with an equally clear view of the partnership arrangements between, and relative role of internal and external investment capital
- Privatisation of state-managed services when appropriate
- ‘Externalisation’ of hitherto public sector supply services where there are clearly defined benefits from competition
- Support for strong SME representation in the initiation and preparation of regulations and in the monitoring of regulatory processes
- An emphasis upon ‘appropriate’ regulation sensitive to the culture and ‘ways of doing things’ of different groups in society
- Introduction of self regulatory mechanisms for social and economic behaviour where possible
- Tax and other incentives to Corporate Social Responsibility (CSR) and forms of organisation (for example trusts) that facilitate corporate CSR
- Ongoing and sound communication at the highest strategic and operational levels with the SME sector
- Effective and continuous monitoring of the health of the sector and of its needs

- Effective and continuous monitoring and evaluation of government initiatives that impact upon the sector
- Seeking to create markets for new services by a process of sensitising and grouping needs to create demands and sensitising public and private supply to demands
- Encouragement of private sector leadership in key SME sectoral development areas
- Decentralisation and local empowerment where possible
- Maximising the potential for self-help in tackling the problem of poverty, social exclusion and minority and ethnic subgroups in society

In ***Government and Public Service Management*** by:

- The pursuit of partnership structures in the delivery of many services
- Pursuance of an enterprise culture in public management
- An acceptance in government of private sector and SME 'ways of doing things'
- Designing public service organisations in an entrepreneurial manner
- 'Releasing' government agencies into 'market models'
- Flexible use of regulatory agencies in appropriate sectors of privatisation
- Low levels of corruption
- Sensitive support of local efforts via strategic management rather than by pursuit of detailed, centrally focussed, output/target systems of control
- Careful segmentation of 'development' markets based upon sound customer group needs analysis

In public support for ***Institution Capacity Development*** by focus upon:

- Utilising to the maximum the development potential of the existing established business and corporate sector
- Building private commercial and professional service capacity wherever possible
- Building bottom-up local capacity, ownership and commitment
- Supporting growth of strong representative associations at national and sectoral level
- Ensuring that there is as equal as possible representation of all sectors
- Developing entrepreneurial and sustainable institutions for private sector and small business support that are private sector led when possible
- Market making and segmentation in capacity development ensuring a process of flexible differentiation
- A broad stakeholder ownership approach encouraging partnership between institutions maximising the capacity for added value and commitment along sector supply chains
- Innovative organisation forms to facilitate private and public partnership and leveraging of funds from all potential sources
- Ensuring that social services organisations are designed in an entrepreneurial manner

In public ***Provision of Support to SME Development*** by:

- Maximising the pursuit of appropriate market incentives
- Differentiating carefully between different segments of the market with a strong customer focus
- Being prepared to take an integrated problem solving and opportunity grasping approach
- Building carefully from existing cultural ways of doing things rather than importing models
- Focusing upon building capacity for self help in the client group (effectiveness) rather than on numbers of activities and simple output ratios (efficiency)
- Developing appropriate standards for providers of services to business

In **Private Sector** involvement by:

- A willingness of larger and more powerful private companies to embody a broad national and SME 'developmental' stance in their corporate strategies
- An associated emphasis upon a stakeholder rather than a narrow shareholder approach to strategic management
- An associated willingness to take an active interest in the economic and social development of partners in the value chain
- A harmonised approach to Corporate Social Responsibility
- A willingness to contribute actively to political governance
- An associated belief in working towards the strengthening of private sector and SME representative institutions
- A strong underpinning of ethical and moral values in pursuing market transactions
- A willingness of small firms to engage in co-operation to overcome barriers to achieving equitable access to resources and improved quality and competitiveness

In **NGO** activity by:

- A willingness to pursue partnership in achieving adequate scale and linking economic and social goals
- A strong focus upon adapting to the needs and culture of the ultimate customer rather than those of the donor or the public funding agency
- A sensitivity to 'making markets' whenever possible by a process of converting needs to demands and sensitising supply to those demands
- Pursuit of sustainability strategies via partnership with all relevant stakeholders

Overall Donor Implications

To provide a sound basis for support of private sector partnership development in support of SMEs it will be necessary for donors to:

- Agree clearly what is meant by the concept and understanding the 'approximate' limits of its practice
- Be prepared to develop new innovative forms of organisation of aid to maximise private participation
- Form strategic partnerships with each other and with the government and the private sector
- Be prepared to sacrifice control for trust and to look for new and more entrepreneurial forms of donor project management
- Be more willing to accept private sector and SME ways of doing things
- Place stronger emphasis in impact evaluation upon measures of effectiveness rather than efficiency
- Develop a stronger entrepreneurial business orientation and capacity in their own staff

Annex 9.9 - A note on the Office of Advocacy, US Small Business Administration

(Extract from a Report of the Chief Counsel 1998)

America is driven by an economic market that is constantly shifting resources to their best use and retooling old systems for new demands. It is a system made for small, fast-changing firms. But public policy often lags behind or favours the old large corporate model. With a mandate from Congress and support from the Administration, the U.S. Small Business Administration's Office of Advocacy has constantly identified areas where government needs to get out of the way or pave the way to ensure that small businesses prosper.

In the last four years the Office of Advocacy has broken new ground for economic research and public policy advancing small businesses. The paradigm of the economic workhorse in America has changed in the 1990s. Building on the solid foundation set by previous administrations, Advocacy's economic research has proven that small businesses dominate the economic landscape – they create almost all new jobs, hire a more diverse work force, contribute most of the gross domestic product, and contribute most new commercial innovations. The dominant players in today's economy are not the Fortune 500 companies, which contributed essentially no new jobs in recent years. Emerging and fast-growing small businesses created 92 percent of new jobs in 1992 and 1998.

But Advocacy's independent research and analysis of the government's approach to small businesses has uncovered misperceptions about small businesses and identified major hurdles to small business growth. To address these issues, Advocacy has concentrated on changing public policy on several fronts. This report describes efforts that have brought about broad changes and delivered relief to specific sectors of small firms.

The hallmark of Advocacy's effort is addressing problems shared by small businesses of all types. Our research shows small businesses incur up to 50 percent more costs per employee for federal regulations, face credit hurdles in traditional bank lending, enjoy little access to venture capital, and encounter tax policies that do not fit small firm operations. While no problem has a single answer, Advocacy has taken on each of these overriding problems with public, and sometimes private, sector solutions.

Research published by the Office of Advocacy in 1994 illustrated that the disproportionate costs of regulations on small business was real and dismissed too often by federal agencies. The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), enabled the Office of Advocacy to intensify its efforts to see that federal agencies comply with the Regulatory Flexibility Act. The 1980 law, amended by SBREFA, requires agencies to seriously consider the impact of their regulations on small firms and consider alternatives. Under the new law, the chief counsel for advocacy has exercised his right to file *amicus curiae* briefs in support of small businesses who challenge federal agencies in court. Importantly, the law has bolstered Advocacy's efforts to chip away misconceptions about small firms and minimise the impact on small firms, one regulation at a time. Using its small business statistics, Advocacy has given federal agencies a better understanding of the regulated industry – including its size structure, revenues across sizes, and geographic dispersion – and provided counsel on hundreds of regulations

As entrepreneurs encounter opportunities, they often cannot find capital to fund their growth. In fact, the Office of Advocacy found that traditional bank lenders and venture capital sources hesitated to support small business. Disclosure of bank lending patterns and breaking down the state regulatory barriers to venture capital deals have been two public attacks on the problem. By forcing information into the marketplace Advocacy has improved the small business capital environment. In addition, Advocacy has launched the Access to Capital Electronic Network (*ACE-Net*) that links investors with small businesses seeking equity capital. Using the Internet, Advocacy has developed a beta site for this activity that will eventually be turned over to private enterprise.

Since 1976 Congress has repeatedly affirmed and expanded the Office of Advocacy's power to act on behalf of small business. Advocacy continues to carry out its congressional mandate successfully, as evidenced by many significant accomplishments. One thing that has not changed however: the need for the Office of Advocacy is greater than ever. As we approach the 21st century, small businesses continue to rely on an advocate to monitor the obstacles to small business growth that emerge in an ever-changing, regulated, but dynamic market place. The vital goals continue: to be an effective guardian of small businesses and provide valuable information on small business contribution to the economy. Advocacy must engage in early identification of policy needs, such as addressing the impact on bank mergers on small business lending. And Advocacy must assure that small businesses can effectively hold the government accountable to them.

Annex 9.10 - Stages of Regulatory Impact Assessment *

Some regulatory proposals are clearly more significant than others. The level of resources devoted to carrying out a regulatory impact assessment is a matter of judgement, but in general, it should be in proportion to the significance of the proposal in question.

The regulatory impact assessment should normally include entries under the following eight headings:

1. TITLE

1. PURPOSE AND INTENDED EFFECT OF THE REGULATION

- Identify the issue and objective
- Identify the stakeholders likely to be affected including types of businesses
- Identify the harm to be corrected
- Estimate the probability of that harm or detriment occurring without the regulation, or without changing the existing regulation

2. OPTIONS

- Identify the options for dealing with the issue
- Identify issues of equity or fairness
 - Consider whether the options proposed carry with the disproportionate benefits or costs for different groups in the community
 - Unfair benefits or costs have implications for the various options to be considered

3. BENEFITS

- Identify the benefits of each option and state who will benefit. Be sure to note common benefits including, a cleaner environment, improved hygiene and improved safety. Those benefiting may be workers, private sector operators, consumers or society generally.
- Bear in mind the unintended consequences. People may alter their behaviour in response to change, and this can produce more problems, e.g. banning a product may lead businesses or consumers to switch to substitutes which carry other or possibly even greater risks.

4. COMPLIANCE COSTS ON BUSINESS

- Identify and estimate the compliance costs of the options for a 'typical' business or for the types of business most likely to be affected
- Identify any additional or disproportionate costs that will burden small businesses

5. ADMINISTRATION COSTS ON GOVERNMENT

- Identify who will administer the regulation
- Identify the cost of administration
- Assess whether the cost of both compliance and administration is justifiable

6. RESULTS OF CONSULTATIONS

- Identify those that have been included in consultations during the regulatory impact assessment process
- Describe the views of each
- Describe any other dialogue or studies undertaken

7. SUMMARY AND RECOMMENDATIONS

- For each option, list and compare the costs and benefits, and summarise the advantages and disadvantages for different stakeholders. Where costs are expected to fall primarily on a business, bear in mind that these costs are likely to be passed on to consumers in the form of higher prices or fewer choices
- Summarise any issues of equity or fairness
- Make a recommendation

* see 'Thinking about Regulation. The Better Regulation Guide' Ministry of Labour and Human Resource Development Nairobi, Kenya. Undated

Annex 9.11 - A Note on engaging the Micro, Small and Medium Enterprise

Owners/managers of small firms are difficult to engage in public policy debate. In general, no matter what the country, they share a distaste and distrust of government and officialdom.

'I'm from the government and I am here to help you'

is the one statement guaranteed to raise considerable laughter at gatherings of owner/managers anywhere in the world. It is important to understand why this is so if policy dialogue with small businesses is to be made effective.

There are three key areas of understanding that are needed. The first is that of developing empathy with the world in which the owner/manager operates.

The Owner Manager World of Work

- Greater freedom to make choices as to how organises life and work
- Greater control over what goes on
- High individual responsibility for success or failure
- High autonomy with necessity to make things happen
- Doing everything – coping with wider range of management tasks under pressure
- Rewards linked directly and immediately to the customer
- Personal assets and security at risk
- The ego is widely exposed
- Living day to day with uncertainty as to what customers, suppliers, etc will do
- High vulnerability in general to the environment – limited powers to influence
- Must manage, successfully, interdependence on a wide range of stakeholders
- 'Know who' (relationship management) is highly important – to build trust
- Working longer and more variable hours
- Social, family and business life often highly integrated
- Social status is tied to business status
- High level of learning by doing, under pressure (more tacit than explicit)
- At times, isolation and loneliness

The above characteristics of the life world build values that impact on the perceptions that the owner has of the environment and particularly of bureaucracy. The second area of need for understanding is therefore of entrepreneur values and beliefs.

Entrepreneur values and beliefs

Research indicates the following key values:

- A strong sense of independence and fear of anything that threatens this.
- A belief in the value of being 'self made'.
- Strong personal psychological ownership of the business so that if it is threatened it is a personal threat.
- A strong belief that rewards only come with effort and an associated disparagement of those that seem to be rewarded without too much effort or are perceived to live off the state.
- An associated strong belief in hard work (work ethic).

- A belief that they can make things happen unassisted and that they can shape the world in which they operate.
- Strong orientation to action and impatience with bureaucratic delays.
- Strong belief in freedom and the individual not the state.
- Strong belief in the value of ‘know who’ and associated personal trust as a way of doing business as opposed to formal contract.
- Strong orientation to the value of learning from experience (by doing) as opposed to formal education.
- Low value placed upon paperwork and written ways of doing things.
- A strong belief in the informal.

The above values and beliefs are reflected in the culture of the work environment of the entrepreneur. This is the third and highly important area of needed understanding particularly because of the potential for a clash of cultures with the corporate/bureaucratic model.

The Clash of Cultures

The Bureaucratic/ Corporate – Entrepreneurial Dilemma

<i>Government/Corporate</i>	<i>entrepreneurial small business</i>
<i>(looking for)</i>	<i>(as being)</i>
Order	Untidy
Formality	Informal
Accountability	Trusting
Information	Observing
Clear demarcation	Overlapping
Planning	Intuitive
Corporate strategy	‘Tactically strategic’
Control measures	‘I do it my way’
Formal standards	Personally observed
Transparency	Ambiguous
Functional expertise	Holistic
Systems	‘Feely’
Positional authority	Owner managed
Formal performance appraisal	Customer/network exposed

In designing systems of communication with small businesses and institutions to deal with them it is therefore important to take into account the ‘way of life’ of the entrepreneur, the associated dominant values and beliefs and the culture of the business. Common mistakes made as a result of ignoring the above points are that:

- Small businesses are flooded with unnecessary paperwork and bureaucratic procedures in registration, licensing and regulation in general.
- Donors, because of their own organisational cultures, develop procedures and processes of accountability and transparency that drive beneficiaries towards a bureaucratic culture and organisation rather than an entrepreneurial one.
- Regulatory staff try to lead small business owners towards being more like them and doing things their way (pulling towards the left hand side of the diagram above)

- Education, training and counselling programmes and specialist support centres for small businesses are built on the basis of corporate values and systems and are therefore rejected and fail.
- Standards are set for small business behaviour and procedures in national governance structures that are alien to the 'enterprise culture'.
- Commercial stakeholders such as banks, professions, large companies and consultants fail to develop trustful relationships.
- In general the societal culture becomes anti entrepreneurial and unsympathetic to the development needs of small businesses.

Annex 9.12 - The USA Office of Advocacy: Mission, Organisation and Functions

Public Law 94-305 enacted June 4, 1976, established the Office of Advocacy within the U.S. Small Business Administration to represent and advance small business interests before Congress and federal agencies. The Office of Advocacy was designed to enhance small business competitiveness in the American economy. The law establishes a number of broad mandates for the Office of Advocacy. Among its primary responsibilities, the office is required to:

- “examine the role of small business in the American economy and the contribution small business can make in improving competition ... stimulating innovation and entrepreneurship, and providing an avenue through which new and untested products and services can be brought to the marketplace
- measure the direct costs and other effects of government regulation on small business and make legislative and non-legislative proposals for eliminating excessive or unnecessary regulation of small business: ...
- study the ability of financial markets and institutions to meet small business credit needs ...
- recommend specific measures for creating an environment in which all businesses will have the opportunity to compete effectively and expand to their full potential, and to ascertain the common reasons, if any, for small business successes and failures ...”
- counsel small businesses on how to resolve questions and problems concerning the relationship of the small business to the federal government ...
- represent the views and interests of small businesses before other Federal agencies whose policies and activities may affect small business; and
- enlist the cooperation and assistance of public and private agencies, businesses and other organisations in disseminating information about the programmes and services provided by the Federal Government which are of benefit to small business.”

To carry out its mission to “counsel, assist, and protect small business,” the Office of Advocacy works with small businesses and small business organisations, the Congress, the Administration, trade associations, and other groups to develop government policy in support of small business.

The Chief Counsel for Advocacy

The Office of the Chief Counsel consists of the chief counsel for advocacy, a presidential appointee, confirmed by Senate. The chief counsel for advocacy has a unique position in the federal government, charged by Congress to represent the views and interests of the nation’s 23.2 million business owners before federal policy makers.

Working under the direction of the chief counsel, the Office of Advocacy is divided into three primary offices: the Office of Economic Research, the Office of Interagency Affairs, and the Office of Public Liaison. In addition the chief counsel oversees the work of a regional advocate in each of the SBA’s ten regions.

Economic Research

The Office of Economic Research is the only unit of the federal government to develop and maintain data on exclusively small business and to study the impact of federal policy on small businesses. Other federal agencies, such as the Bureau of Labor Statistics (BLS) or the Census, study the entire economy by establishment or place of business, regardless of the owners, while others such as the Department of Agriculture's Economic Research Service study the farm economy only.

By law, the economic research team must:

- maintain a thorough small business data base and statistics
- provide the statistical underpinning for Advocacy's comments on the impact of regulations on small business
- prepare annually *The State of Small Business: A Report of the President*
- collect and disseminate statistics on minority – and women-owned firms
- analyse minority and small business procurement statistics and
- provide data on the debt and equity markets for small firms

The Office of Economic Research collects and disseminates data on the nation's small businesses from various federal agencies and conducts studies on issues that affect small business. This information is combined with statistics from a data base at the Bureau of the Census, in which 1,200 industries are catalogued by four-digit SIC code and 90 industries state-by-state by two-digit SIC code. These vital statistics are needed so that Congress, policymakers, and the small business community can use them to make informed decisions about existing laws, proposed legislation, trends in the economy and their impact on small business

Inter-agency Affairs

With this research, the Office of Advocacy is able to fill a unique role in government: its mission is to ensure that federal policymakers are aware of the impact of their decisions on small businesses. The Office of Interagency Affairs is responsible for preparing formal statements on proposed regulations, which are typically communicated in the form of regulatory comments to federal agencies or testimony before Congress.

In the two years 2000-2001, the Office of Interagency Affairs submitted more than 100 comments on regulations. Since his confirmation, Chief Counsel Glover has testified before Congress on numerous occasions. The policy positions delineate the impact of policy on small business and often provide alternatives that will be less burdensome on or better suited to small business. The result of Advocacy's participation is a savings to many small businesses and/or an increased position in the marketplace. Participation in these formal and informal forums allows the Office of Advocacy to help fashion federal policy to the needs of small business. In addition, the office represents small business interests working with numerous policymaking boards and organisations.

One major force driving Advocacy's Office of Interagency Affairs is the Regulatory Flexibility Act, which requires agencies to review their rules to assess their impact on small entities. When the impact will have a significant effect on a substantial number of small entities, the agency must analyse the ramifications of the rule and examine alternatives that will reduce adverse impacts or enhance beneficial impacts.

In 1996, the Small Business Regulatory Enforcement Fairness Act was signed into law. (P.L. 104-121). This law provides for judicial review of regulations where an agency has

failed to comply with the Regulatory Flexibility Act. The Office of Interagency Affairs has developed procedures to review proposed federal regulations, determine whether the RFA applies, and examine whether the agency complied with the RFA. When agencies do not comply, the office informs the agency of its failure. In some cases the failure is procedural, but in most cases where the office intervenes formally, the office files substantive comments about the agency's proposal, its impact on small entities, and alternatives that should have been examined by the agency. The new law affirms the authority of the chief counsel for advocacy to file an *amicus curiae* brief in cases under appellate review. Finally, the work of the Office of Interagency Affairs is reported to Congress in the *Annual Report of the Chief Counsel for Advocacy on Implementation of the Regulatory Flexibility Act*.

The Office of Interagency Affairs also serves as a resource to other parts of the SBA in analysing its own rules. The office served and continues to serve as an informational resource to the delegates of the 1995 White House Conference on Small Business.

Public Liaison

Public Law 94-305, which established the Office of Advocacy, has broad implications for Advocacy outreach and reporting efforts. Among other things, the law requires the office to “(1) examine the role of small business in the American economy and the contribution which small business can make in improving competition ... (2) assess the effectiveness of existing Federal ... assistance programs for small business ... (3) measure the direct costs and other effects of regulation on small businesses.” The Office of Public Liaison is a key player in meeting the Office of Advocacy's mandate to conduct outreach to small businesses and trade associations, disseminate information of benefits to small business, and to publish the results of the office's research on small business contributions to the economy.

The Small Business Advocate, a monthly newsletter which is also produced by Advocacy's Office of Public Liaison, reports on key legislative and regulatory concerns, economic trends, and state and local developments affecting small businesses.

Regional Advocates

A significant part of Advocacy's mission is accomplished by interaction with key participants in small business legislative and regulatory developments at the state and local level. Regional advocates located in the 10 SBA regions throughout the nation support this effort. The regional advocates serve as the “eyes and ears” for Advocacy's chief counsel in the field and play an important role in identifying topics of concern to the small business community.

Regional advocates play a major role in the annual White House Conference on Small Business, ensuring that state delegations to the national conference represented a balanced cross-section of the small business community. They maintain an ongoing liaison with delegates, regional implementation and issue chairs to pursue implementation of recommendations adopted by the conference.

Regional Advocates are the mainstay in the Offices of Advocacy's effort to communicate information directly to small businesses across the country, thus ensuring small business knowledge of and participation in policy decisions. The regional advocates bring the tools and products developed by the Office of Advocacy and the federal government to the front door of business and make the knowledge gained available to state and local legislatures and councils.

Annex 9.13 - Exploring methods of encouraging Private Sector led Development via Supply Chain development

A note on the Value Chain Concept

The Value Chain concept has emerged as a result of a number of pressures.

The first is that of the need to find a paradigm under which the SME sector can be encouraged and supported in its efforts to pursue an active role in broader issues of social and economic development. It can be demonstrated throughout the world that individual company Corporate Social Responsibility (CSR), while an important manifestation of the company's commitment to support social issues, is not enough. Such a mission frequently runs into difficulty when it threatens the maximisation of shareholder value. Arguments in support of a broader view of stakeholder management as a basis for company strategy suffer similarly. Moreover, CSR approaches tend to be confined to larger firms. They do not in general appeal to small enterprises although entrepreneurs once well established may play such a role individually.

The second derives from the first. There is the need to find an approach that is clearly seen to underpin the company's 'bottom line' in the short medium and long term. Moreover it must be one that can engage stakeholders and appeal to small businesses. It must also be one with which companies are not too unfamiliar. Fundamentally it needs to be a business approach as opposed to a broad economic one.

Third, there is a need to find workable mechanisms for active engagement of the private sector. A great deal of what passes for private sector led partnership development ends at involvement on committees, forums at task forces which while useful as a means of communication and harvesting on ideas, frequently deteriorates into 'talking shops'. As a result 'consultation fatigue' sets in. There are often similar results from the drafting of private sector leaders onto the boards of private/public bodies.

Fourth, there is a need to find mechanisms for active partnership between the private, public and NGO sectors reinforced by a strong focus on objectives that matter. Moreover, there is a need for such partnerships to be equally open to, and able to be formed by, those at the bottom as well as at the top. This does not only mean small businesses but also local government, church and other groups who share a collective responsibility for a development issue.

Fifth there is a need to link social capital development with business and economic development. Social capital development issues are conventionally seen to be divorced from economic and business development. They are seen to be worthy of expenditure in their own right but are only loosely, if at all, seen to add value directly to the economy.

Finally there is the need to find innovative means, in a development context, to help donors and other agencies invest in partnership development. Conventional donor channels are either through government or NGOs. They cannot usually be seen to be directly underpinning the 'bottom line' of an individual business. Yet this is what the private sector must constantly pay attention to.

The Value Chain Concept as a development tool

The Value Chain concept has been designed to meet the above concerns. In essence it applies a Strategic Supply Chain Partnership approach, which is well understood and practised by major businesses across the world, to a 'sector' development context. The term 'Process Value Chain' can, however, be used (as opposed to 'Sector Value Chain') in order to avoid the confusion of trying to deal with a broad sector (for example agro-business), or indeed a sub-sector (for example horticulture) that may not, within it, share a common process throughout the value chain. The approach focuses upon a product or group of products that share a common process value chain.

In this approach, the whole chain is examined from the bottom up and top down. At each point of the value chain the potential for adding value is explored. Barriers are identified in this respect. They may be of a social, infrastructural or commercial nature. They may represent problems to be removed and/or opportunities to be taken. At each level of the process (and sometimes throughout the chain) there may be different groups of relevant stakeholders who 'share' the problem or opportunity and will benefit from its resolution. These represent the task group to solve the particular problem at that point in the chain.

The problems/barriers and opportunities identified by this approach will be numerous. They can be classified not only in terms of whether they are social (e.g. the need for finding mechanisms for families with members suffering from AIDS to maintain their smallholding activity) or commercial (e.g. finding a means for better packaging or distribution) but also in relation to the scale and nature of the problem/opportunity.

Thus there will be those problems/opportunities identified that can be resolved within a short time period and those that will require a medium or longer-term horizon. There will also be those problems/opportunities that are within the power of the immediate stakeholder group to resolve and those that will require broader public or private intervention (for example regulatory change).

In addition, there will be those that require substantial investment and those that will demand more modest resources. Some problems/opportunities will require action in other parts of the chain. And finally, there will be those problems and barriers that are at present insurmountable.

Some Process Management Issues

The task therefore is to identify those areas where an impact can be made by feasible action in the short and medium term and where there is a clear value added potential. Thus it may be possible to move towards an approach that compares resources needed to the anticipated time stream of benefits.

This approach, as in conventional supply chain development, requires active participation of all the key stakeholders. As in the supply chain analogy action teams of stakeholders will need to be set up, targets prioritised, management of the process organised and resources committed. The stakeholders themselves (particularly the businesses and also the government) will need to make resources available including perhaps secondments, space, transport, office equipment and other project working capital.

As in the conventional supply chain approaches, several types of ‘external’ support may be needed. There may be a need for technical support and advice both as to process as well as ‘technology’. Thus the larger companies at their stage of the chain may need to commit resources to help solve problems at other points up and down the chain. Appropriate and accessible micro-finance may be needed. In some cases there may be a need for more formal bank finance or indeed venture capital. The ‘management’ teams set up tackle the problem may need assistance with working capital for pursuing the project.

External and public donor funding may therefore be required at three levels:

- In providing technical support to the process
- In supporting project groups, but only after evidence of maximisation of indigenous private and public sector resource
- In supporting the project (problem solving) implementation, often alongside private and public sector resources. In this way, private and public sector resources would leverage donor funding and share the risks associated with any proposed intervention.

Overall there will be a need for a national group to whom the specific value chain groups can relate common problems encountered in the different value-chains. This national group can feed into national policy, facilitate experience exchange, relate to external donors and assist where necessary with the provision of technical expertise. They will also be the main focus for articulating the need to remove regulatory and other ‘macro’ barriers identified by different sector process groups.

Selection of Process Value Chains

The stages for selecting the first value chains can be as follows:

1. Identification of value-chains via use of evaluation criteria.
This will demand the application of a number of criteria as set out below:
 - Scale and therefore potential impact of the value-chain on output and employment
 - International trade prospects, particularly with respect to emerging trade arrangements
 - Comparative advantage and therefore international competitiveness
 - future growth potential
 - Commitment of the key stakeholders in the value-chain to champion the approach
 - partnership potential
 - Progress already made upon which initiatives might be built
 - Absence of major insurmountable blocks
 - Alignment with government strategy
 - Likely resource commitment from all the stakeholders in the value-chain to the approach
2. Organise with key stakeholders a product/process workshop involving all parties engaged in the value chain. Define broad potential – key problems/opportunities at key stages with added value potential. Write up and agree with stakeholders.
3. Explore in more detail with stakeholders the key areas to be tackled and set out in detail the needs and added value potential at critical points in the value-chain.
4. Set up task groups at the problem level

5. Produce project plans for problem resolution (including management of the process) and prepare project resource budgets.
6. Seek specific resource commitments from stakeholders and, where appropriate, donors.

Conclusion

This brief note has focused on the concept and practice of a process value chain approach to SME development. The note is not a definitive statement. Both concept and process will be redefined by use in practice and the incorporation of the ideas and resources of key stakeholders. Although the approach is based upon strategic supply chain partnership conventions, it recognises that, in a development context, price, cost and the conventional market approach will be insufficient to release potential added value via simple transactional means (where both demand and supply are weak). The strategic partnership approach using value-chains therefore provides the means to deal with issues set out at the beginning of this note (see Exhibit 1 below). As with conventional supply chain development, added value will only be achieved by the substantial commitment of all the stakeholders concerned, not just external donors.

Exhibit 1

Managing Process Value Chain Partnerships The Stakeholder Challenge

Moving from

a price/cost transaction focus *to* a shared added value approach
 an adversarial stance *to* co-operation
 short term 'market' arrangements *to* long term informal partnership
 individual secrecy and ignorance *to* more open exchange
 individual cost problems *to* shared cost problems
 supplier/buyer quality inspection *to* better assured quality via partnership
 top down sector planning *to* co-operative interdependent plans
 isolated objectives and motivations *to* common objectives and motivations
 control performance measures *to* process development target sharing
 narrow immediate commercial focus *to* economic/social capital development focus
 concealed or misunderstood problems *to* joint problem solving
 limited contact points *to* total relevant stakeholder engagement
 isolated technical/product development *to* joint development
 isolated process development *to* integrated process development
 fragmented development projects *to* networked development processes
 individual vision *to* shared vision

Annex 9.14 - Example - Range of Association Services

	Basic Network Services	Basic Information (Individual Services)	In-depth (individual) Services Support	In-depth (Collective) Events	Lobbying
Members:	Lunches/Dinners	Market Information (Individual Enquiry)	Market Research	Trade Fairs	Surveys
- Free	Lectures/Seminars	Market Reports	Contact Evaluation in-depth	Exhibitions	Media Stories
- Reduced?	Directories	Individual Contact Enquiries	Negotiation with potential partners	Training	Advertising
- Full Cost?	Newsletters, Magazines	On-line Data Base	Financial Information and Credit Checks	Skill Development	Committee Work
<i>Non-Members</i>	Basic Contacts/Member Lists	Market Advice (Standard Signposting)	Interpretation/ Translation	Seminars on the environment	Entertainment
- Free?	Signposting	Basic Legal and Tax information	Marketing Advice		Submissions to government
- Direct Cost?	Letters of Introduction	Standards Advice	In-depth Legal Support e.g. Arbitration		
- Full Cost?		Fairs, Exhibitions	Tax Advice		
			Documentation and Certification		

Annex 9.15 - Business Development Services for Small Enterprise. Guiding Principles for Donor Intervention

(see attached pdf file)

'BDS Guidelines Annex 15

Annex 9.16 - CGAP. Format for appraisal of Microfinance Institutions

(see attached pdf file)

'MICROFINANCE Annex 16'

Annex 9.17 – Organising and Managing a Counselling Support Service for SMEs. A Guide

Allan Gibb

Organising and Managing a Counselling Support Service for SMEs – A Guide

Introduction

Those charged with developing an efficient and effective counselling support service for independent businesses at a national, regional or local level need to influence three groups:

- ***The Referrers*** – those organisations who may refer clients to counselling, usually because they see some advantage in it for themselves. Such organisations include banks, accountants, and other professional advisers; industrial development agencies and local development organisation, local municipalities, friends and business acquaintances of the owner, small business clubs, and trade and industry associations. Some of these organisations may themselves offer counselling services – formal and informal. Their ability to provide effective referral is a function of the degree to which they are themselves aware of credible sources of counselling advice in the community and importantly the degree to which they are convinced of the advantage to themselves of referring clients to this service. Banks for example will use a counselling service if it leads to better business plans and therefore lower risk in lending to the client. Those who lease premises to independent businesses will refer clients if it means less risk of rental default.
- ***Organisers of counselling*** – those organisations who promote and/or organise counselling services. They may include chambers of commerce, entrepreneurs clubs, government agencies, private charitable organisations and education institutions. Such institutions and organisations may themselves directly provide counselling services. They may also, however, advertise and promote counselling but use external consultants as counsellors or advisers.
- ***Counsellors*** – those directly offering the service to the client. They may be drawn from a wide variety of different groups in the community, may counsel as part of a wider job responsibility, and may be full time ‘professional’ or part time (see below).

A counselling or consultancy service

There is no clear dividing line between counselling and consultancy. Counselling is perhaps best described as ‘working through the client’ where the outcome from the counselling session is determined by the client’s own capability to learn from advice and implement resultant actions successfully. Consulting may be described much more as ‘working for the client’ involving investigation and the subsequent preparation of a report or recommendations which may or may not be implemented. In reality many consultants will be concerned with tailoring their recommendations very carefully to the capability of the client and indeed providing ‘hands-on’ support for implementation. In general, however. The results of counselling, will invariably be more difficult to measure than those of consulting, as the former is dependent entirely upon the client’s own capability and motivation to act.

A business-like approach to counselling

Any organised counselling support service will benefit from being treated in a business-like fashion by:

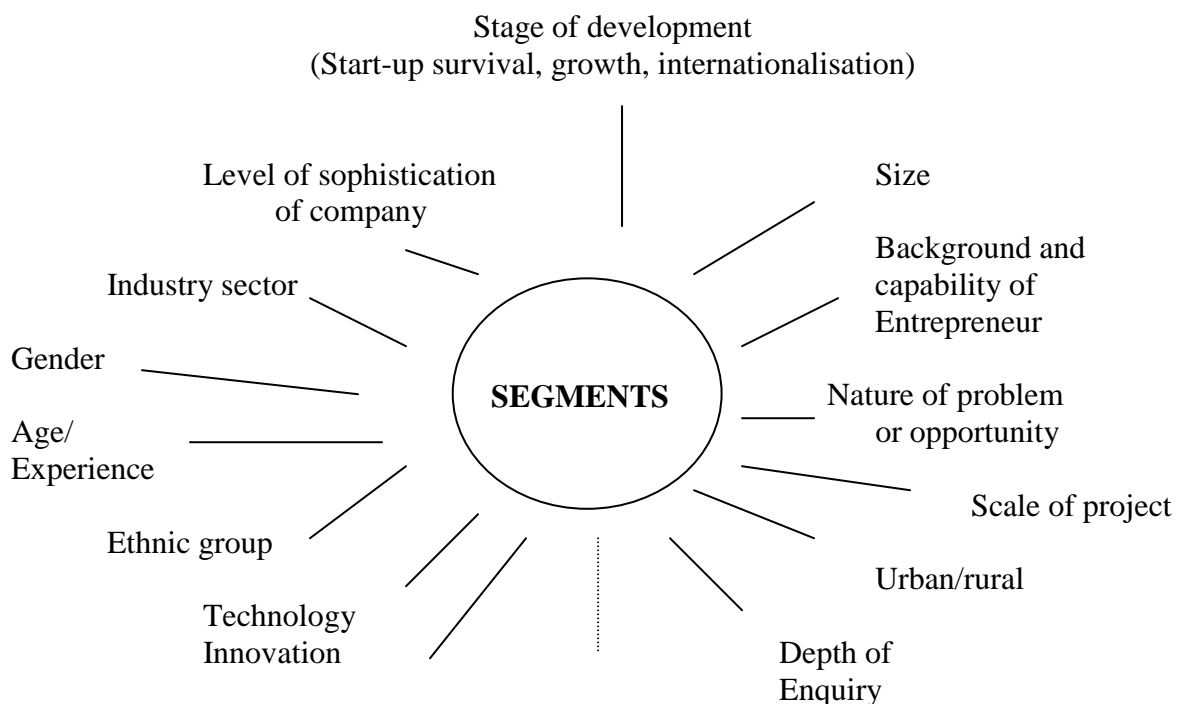
- i. clearly identifying the potential customer groups
- ii. identifying the distinctive needs of the client group(s)
- iii. designing the appropriate counselling approach
- iv. recruiting and training the counsellors to an adequate standard
- v. marketing the service adequately
- vi. providing adequate systems of evaluation and control

i. The Customer Groups

Customer segmentation, as in all businesses, is important. Businesses have different needs at different stages of development. Individual needs vary according to personal background and degree of sophistication. Problems and opportunities brought to counselling may cover a very wide range. Demands made on counsellors from those wishing to start a business involving considerable initial capital outlay will vary radically from those seeking simple self-employment. The solutions to problems recommended by counsellors need to be tailored carefully to the level of sophistication of the business and the capability and education of the owner. Certain types of enquiry may require specialist services, for example, innovation counselling. Ways in which customers may be usefully segmented are listed below.

EXHIBIT 1

SEGMENTING THE CUSTOMER FOR COUNSELLING



ii. Customer Characteristics and Needs

Although client groups and individual clients are likely to be highly differentiated there are certain general characteristics which the counsellor may need to bear in mind in tailoring his/her approach. Such characteristics include:

- The limited time and resources that clients have for implementation of actions
- The limited functional management support that may be available for implementing recommendations in key areas
- The limited resources available for environmental scanning and research
- The importance of personalised networks and contacts
- The dislike of formal planning and resultant short planning horizons
- The use of learning by doing
- The unwillingness of small business persons to read extensively
- The focus upon problems and opportunities
- The fact that business development, organisation development and personal development are closely tied together
- The ego of the owner is tied up with the business
- The operation in general of informal 'appropriate' systems of management which often have been designed by the owner-manager
- The suspicion of bureaucracy and government
- The need for technology appropriate to the level of the business
- The fact that for many owners the business is a way of life rather than a business in the conventional sense
- The very local horizon of many independent business persons
- The wish to know 'how to' do things and 'who with', rather than to 'learn about'

All these points have major implications for the approach, and credibility, of the counsellor as well as for the design of the counselling service as a whole.

iii. Designing the Appropriate Counselling Approach

Counselling support services can be designed in a variety of different ways. Key questions for consideration in the design will include:

- Is there a need for a two-tier service that is generalist counselling supported by specialists in key functional or technical areas?
- Does the counselling approach need to be linked with a potential for consultancy follow-up?
- What is to be the relationship of a counselling service to other sources of assistance, for example, provision of financial support and training?
- Is the counselling always to be of an individual nature or is there a need for a team approach – working with a management team?
- Is the service to rely mainly upon individuals or companies approaching the service in response to advertising and promotion, or is a more proactive approach to be taken perhaps enabling a 'free problem solving' audit or 'company review' to be given?
- Is counselling to be via a panel of counsellors or to be on an individual basis?

- Is there scope for computer-based or interactive video systems to be used either in general problem solving or in instruction for business plan preparation of cash flows, costings, and balance sheets?

iv. Identifying Appropriate Counsellors

Counselling services can be designed in a wide variety of different ways and offered at a variety of prices. In many countries of the world they are provided free to smaller independent businesses or at a reduced rate. Counsellors may form part of a State or private sector service (hired by the State); and the service may call upon a variety of specialists on a part time basis. Counselling can be designed to:

- Use existing business people as individuals or together in panels in a particular region
- Facilitate exchange of experience between business persons allowing owner-managers to learn from each other
- Use retired or semi-retired executives from large or small companies – (after suitable training)
- Use employees and executives of existing firms in a locality who may be prepared to give up some of their time for free advice and assistance to small businesses
- Use students from the education system either via ‘projects’ or after formal counselling training
- Harness the advisory service of the professions (accountants, lawyers and estate agents for example) at a reduced cost or on a free basis in order to stimulate business in the community
- Use management trainers in a counselling role enabling them to complement their training inputs with ‘hands on’ implementation of action recommendations

In reality a mix of all these resources may be used in any locality or region. Some may be more ‘professional’ than others. In general, however, all counsellors will need some guidance and training. The experienced small business person, for example, is not always the best counsellor.

v. Recruiting and Training the Counsellors

Whichever groups in the community are used for counselling, quality control will require careful selection and recruitment. A framework for selecting ‘a good counsellor’ is provided in an accompanying Guide to this series (Counselling Independent Business: The Basic Approach). The preferred method of selecting a counsellor is by providing an opportunity for the would-be counsellor to practice the art and be observed. Even, if the resultant procedure is sound most counsellors will need some initial training: to familiarise themselves with the ways in which clients will usually arrive in front of them; to develop understanding of different ways of reaching the client; to understand the local network and the means of signposting to this network; and in particular to understand, in depth, specific sources of assistance. Counsellors will need continuous updating as to changes in the environment, particularly the official support environment and the regulatory environment. They may also need special training in particular areas of weakness, and in functional skills. All counsellors will need basic ability to advise on marketing, simple finance, management control systems, production systems and basic bookkeeping. In addition, specialist counsellors (for example: innovation, finance, technology etc) will need regular retraining. Counsellors also need support materials: signposting leaflets; booklets on basic sources of advice; and updating on

networks and the regulatory environment. They may also need training in customer care and procedures for follow-up.

vi. Marketing the Counsellor Service

Reaching the customer with counselling services is not easy. Many people arrive at the service via personal recommendation. A successful service will 'be recommended' by a wide range of organisations who see self interest in referring clients. The service therefore needs to be known and be credible with: independent business associations, banks, accountants, local development agencies, those who offer premises and workshops, teachers and educators, chambers of commerce, and local and municipal authorities, as well as entrepreneurs' clubs. It will therefore need to be extensively 'marketed' with these organisations and can indeed be 'owned' by them. Promotion within the network is extremely important because clients may well go to any one of a wide variety of local bodies with a particular problem, and because of their imperfect knowledge, not always the most appropriate organisation. If the client is to be dealt with adequately, the local network should be able and willing to signpost correctly to the more appropriate source of advice.

The most important marketing tool available to any counselling service is the satisfied customer. Clients are likely to be attracted to a service after seeing successful examples of other business people using the service. Brochures with pictures of satisfied clients are therefore more effective than those with pictures of happy counsellors! As with all promotions the key to success is underlining the benefits to the customer in using the counselling service. The image will need to be one of clear acceptability, and credibility with the client. The service will need links with all local and regional information services. Any literature associated with the service will need to be developed in the appropriate language and be simple and to the point.

Many counselling services offer a free service to business start-ups and follow-ups. There is often a 'pricing' to a particular market segment, or pricing for a certain length of time or exposure. Usually such pricing policies are aimed at encouraging the client to move to full-time consultancy or counselling at full prices as the company grows.

vii. Evaluating the Counselling Service

The evaluation of counselling services provides a major challenge. In all services, there is a danger of relying upon too simple a criteria, for example, counting the numbers of clients, the numbers of sessions, or numbers of company visits. Excessive reliance upon such data leads to a focus on the 'numbers game'.

Evaluation can be undertaken at the various levels listed below:

- Reaction evaluation – involving simple assessments of: overall client satisfaction; the process by which the client has been handled; and how useful the advice has been
- Successful learning assessments – indicating, more precisely, what the client feels that he/she has learned
- Behaviour assessments – identifying (observing) how related behaviours have changed

- Action assessments – indicating what kinds of actions have been taken following the client interview, for example, whether the business has started, what steps have been taken to resolve a problem and how they relate to the counselling advice
- Results assessments – involving measures such as whether the business has started successfully, and has survived, the profits gained, the growth in turnover or employment, or the impact on income and turnover of particular problems being solved or opportunities taken.

Each of the above require different forms of evaluation and different approaches. Some can be built into the ongoing management of the counselling service. Others will need independent regular or one-off evaluations.

Annex 9.18 - The Policy Review and Planning Process. The Donor Challenge

Introduction - the role of donors in SME Development

Donors have played an important role in shaping SME development policies and programmes in transition and developing countries. They have:

- Supported the establishment of SME ministries and departments within government
- Assisted in the creation of small and medium enterprise acts setting out definitions and commitments as well as responsibilities and roles
- Provided extensive support for the process of creating the appropriate regulatory environment
- Supported the development of specialist policy centres focused upon small enterprise development
- Helped to establish specialist small business support agencies and centres at the national, regional and local level
- Provided support for the strengthening of the voice of the private sector in government (advocacy) through work with chambers, associations and councils.
- Assisted the work of local government in local enterprise development
- Aided the restructuring/downsizing/privatisation of former state enterprises and the development of associated small service businesses
- Helped to develop specialist support in the fields of business training, counselling, finance, incubation and technology transfer
- Assisted in the creation of an appropriate stakeholder environment by offering support to the development of the professional service sector (banks, accountants and the legal profession, for example)

Problems encountered

Evidence suggests that much of the donor effort has not led to the creation of sustainable infrastructure and activity. Many of the above activities have had little impact and have been an inappropriate response to needs. Among the major mistakes that have been made are:

- The transfer of institutions and ways of doing things from advanced economies that are not necessarily appropriate to the culture, context, stage of development, needs and resource of the country concerned (training and counselling services, banking practice, MBAs and other education programmes and regulatory practices, for example)
- The transfer of institutional forms of support that are not themselves generally sustainable in the west without subsidy (for example local enterprise agencies) and/or not highly accepted by private businesses (for example many forms of training programmes)
- The creation of soft loan programmes that will demand continued subsidy and encourage a supply side approach to SME development

Overall many of the above problems arise from the short-term project-based nature of much donor support. This does not allow for the process of embedding of new approaches and their adaptation to the local context. Log frame targets, rigidly applied, also do not help in this process. There is an associated creation of a donor supply culture where agencies, acting as intermediaries or co-ordinating units see the donor as the key customer rather than the private sector with subsequent distortion. All of the above contribute to a failure to develop institutions and forms of assistance that build upon existing ways of doing things, truly

engage the private sector and its relevant stakeholders and build sustainable capacity. Lack of donor co-ordination on the ground does not help.

The value of the Policy Review and Strategy approach

A strong focus on policy and strategy in SME development will prevent many of the problems hitherto encountered in creating sustainable business development. A coherent Review process will enable donors to better understand priorities at the national and local level. They will also be assisted in better understanding of the institutional context, the existing ways of doing things and the potential for truly adding value to these. The Strategic Plan thereafter provides the vehicle for ensuring that donor contributions fit within a clearly established framework of priorities rather than selecting from a rather more random list of projects. The Policy approach therefore will enable short-term projects to be judged as part of a development continuum.

All of the above, however, is dependent upon the Review and Strategy being the central component of an action process and not just paper exercises. Donor support in the development of the Review and Strategic Plan process will therefore be important. It is important that support in this respect allows full ownership of the process and that plans are written **with** not **for** the individual country.

Key Ways in which Donors can support the Policy Development Process

Support for the Strategic Review and Plan process

Overall, donors can provide assistance in developing a Review and Strategic Planning process appropriate to resources, need and stage of development. There are also numerous ways in which they can support the detail of the process as follows:

1. Needs Analysis

- 1.1. Development of capacity to monitor the state of the SME sector and its needs. This might be via the creation of independent policy research institutes (as for example in Croatia), support for the statistical review work of representative business associations and/or the encouragement of public/private partnerships in monitoring of specific areas with organisations that have a vested interest such as the banks.
- 1.2. Support for the development of capacity to monitor the impact of public policy upon the sector. For example, support for the setting up of Impact Assessment Units and/or 'Better Regulation' units as in Kenya.
- 1.3. Commissioning evaluation research in areas of substantial policy engagement, for example cluster and supply chain development.
- 1.4. Developing capacity of representative associations at all levels, (importantly the informal sector) to articulate needs and provide adequate representation.
- 1.5. Support for the development of measures of ongoing progress and benchmarking against practice elsewhere in the development of the enterprise culture.

2. Policy Setting

- 2.2. Support for overall macro enterprise enabling environment review.
- 2.3. Support for regulatory environment review.
- 2.4. Capacity building for bottom-up policy contribution, for example the strengthening of processes of decentralisation and of local government.
- 2.5. Support for educational processes in the creation of the enterprise culture.
- 2.6. Encouraging the active engagement of the private sector in policy setting and clarification of related concepts of Public/Private Partnership (see Annex 1.8).

3. Policy Management

- 3.1. Support for mechanisms in government for inter departmental cooperation including, where desirable, the setting up of a specialist small business department and/or Advocacy Unit.
- 3.1. Support for the establishment of specialist Units to oversee the management of appropriate regulation for enterprise development
- 3.2. Support for the growth of the Corporate Social Responsibility movement, the active engagement of the private sector in the development of value chain and ensuring that privatisation processes exploit fully the potential for SME development.
- 3.3. Support for enhancing the capacity of local and regional authorities to play a major role in SME development and for the associated strengthening of local democracy.
- 3.4. Enhancing the capacity of specialist business departments in government in particular in creating awareness of the appropriate role for central authorities.
- 3.5. Creating the capacity for effective PR and marketing in small firm representative organisations and the building of appropriate forms of communication with micro, small and medium sized businesses.
- 3.6. Support for investigations in key sectors of development potential, for the capacity building of sectoral associations and creation of a consistent focus upon means of adding value to the whole sector chain (see Annex 1.13.)

4. Stakeholder Development

- 4.1. Support for capacity and competency development of business/SME representative associations.
- 4.1. Support for widening the service base of representative associations.
- 4.2. Support for the professionalisation and market orientation of the business training and consultancy supply side.
- 4.3. Support for innovative forms of sustainable and non-subsidised micro finance.
- 4.4. Support for competency development of local authority staff.
- 4.5. Support for competency development of staff of regulatory agencies in dealing with the SME sector.
- 4.6. Support for models of large company restructuring and privatisation that link to SME development.

5. Creating Specialist Institutions for enterprise development

- 5.1. Support for new approaches to creation of sustainable forms of SME institution support, private sector led.
- 5.2. Support for entrepreneurial redesign of business service organisations.

6. Programme Development Support

- 6.1. Support for orientation of information provision to support to assist with regulatory compliance.
- 6.2. Support for reorientation of counselling and training programmes to a problem solving and business development focus.
- 6.3. Support for effective methods of SME market segmentation.
- 6.4. Support for development of appropriate standards of service programme providers.

Donors may wish to use the checklist in Annex 9.18 to determine priorities.

Annex 9.19 - SME Development Policy Review Checklist

This checklist can be used in conjunction with the Part 1 of the Guide - 'The Strategic Policy Review'.

It follows the six sections of Part 1 as follows:

Needs Analysis

Policy Setting

Policy Management

Stakeholder Development

Institutional Capacity Development

Programme Development

Using the checklist will help to focus upon the most important areas, on issues where there is common concern for improvement and upon the major barriers that have to be overcome to achieve this. It may be used to identify priority areas for action but can also be used in a management training context to identify key areas of learning and capacity development need.

After reading each section, the corresponding questions should be read and answered in an open and honest manner. The aim is not to test whether any particular country adequately covers all the areas addressed in the document (no country in the world does this) but to provide a focus for debate and discussion.

There are three checks that should be made:

1. To indicate how important this area is to SME policy development in the country
2. To indicate the scope/need for improvement in dealing with this area.
3. To indicate the level of difficulty there would be in doing this, given the present position, resources and priorities

The scale 1 to 7 can be ticked at any point:

1 = Low

7 = High

THE CHECKLIST

SECTION 1: NEEDS ANALYSIS

1.1. Monitoring the health of the SME sector over time?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for Improvement in monitoring ?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in improving monitoring?</i>	1	2	3	4	5	6	7

1.2. Monitoring SME reaction to government regulation?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improvement in monitoring?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in improving monitoring?</i>	1	2	3	4	5	6	7

1.3 Evaluating the impact of specific government SME support measures?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improvement in evaluating?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in improving evaluation?</i>	1	2	3	4	5	6	7

1.3.Communicating effectively with all branches of the SME sector?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improvement in communicating?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in improving communication?</i>	1	2	3	4	5	6	7

1.4. Measuring the development of the Enterprise Culture in the country?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improvement in measuring?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in developing measures?</i>	1	2	3	4	5	6	7

SECTION 2: POLICY SETTING

2.1. Linking SME development targets to overall national social and economic objectives?

Importance? 1 2 3 4 5 6 7

Scope for improvement in ability to do this successfully? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

2.2. Establishing clear criteria for determining areas for official intervention in support of SMEs?

Importance? 1 2 3 4 5 6 7

Scope for improving ability to achieve this? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

2.3. Setting clear criteria for the relative role of local, regional and national agencies?

Importance? 1 2 3 4 5 6 7

Scope for improving ability to achieve this? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

2.4. Establishing clear criteria for selecting areas of regulatory intervention on behalf of SMEs?

Importance? 1 2 3 4 5 6 7

Scope for improving ability to achieve this satisfactorily? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

2.5. Creating a strong national basis for the creation of Enterprise Culture?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

2.6. Establishing a strong national basis for private sector led development of SMEs?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

SECTION 3. POLICY MANAGEMENT

3.1. Co-ordinating the SME sector related work of different government departments?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

3.2. Managing the regulatory environment in practice for SME development?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

3.3. Engaging the private sector in the practice of SME development?]

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

3.4. Linking national, regional and local enterprise development efforts together?

Importance? 1 2 3 4 5 6 7

Scope for improving ability to do this satisfactorily? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

3.5. Establishing an SME sector policy/programme co-ordinating agency?

Importance 1 2 3 4 5 6 7

Scope for improving/initiating this? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

3.6. Creating sound marketing/ and promotion of SME policies?

Importance? 1 2 3 4 5 6 7

Scope for improving ability to do this satisfactorily? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

3.7. Selecting key industrial and commercial sectors for SME development?

Importance? 1 2 3 4 5 6 7

Scope for improving ability to do this satisfactorily? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

SECTION 4. STRATEGIC STAKEHOLDER DEVELOPMENT

4.1 . Building the capacity of SME representative associations?

Importance? 1 2 3 4 5 6 7

Scope for improving ability to do this satisfactorily? 1 2 3 4 5 6 7

Level of difficulty in achieving this? 1 2 3 4 5 6 7

4.2. Supporting the development of appropriate association programmes and services?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

4.3. Creating institutions to facilitate private/public sector partnership for SME development?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

4.4. Developing the private sector consultancy and training market for SMEs?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Need to improve ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

4.5. Developing the private finance sector capacity to serve SMEs?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Need to improve ability to do this satisfactorily?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

4.6. Developing/supporting the Local Authority role in SME development?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Need to improve ability in this area?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

4.7. Developing the capacity of the professions to assist SMEs?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improving ability to do this?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

4.8. Developing capacity of the education sector to support SME development?

Importance? 1 2 3 4 5 6 7

Scope for improving national performance in this respect? 1 2 3 4 5 6 7

Level of difficulty in achieving improvement? 1 2 3 4 5 6 7

4.9. Developing the effectiveness and efficiency of regulatory organisations?

Importance? 1 2 3 4 5 6 7

Need to improve national performance in this respect? 1 2 3 4 5 6 7

Level of difficulty in achieving improvement? 1 2 3 4 5 6 7

4.10. Working effectively in privatisation /restructuring programmes to create small businesses?

Importance? 1 2 3 4 5 6 7

Need to improve national performance in this respect? 1 2 3 4 5 6 7

Level of difficulty in achieving performance improvement? 1 2 3 4 5 6 7

SECTION 5. CREATING SPECIALIST INSTITUTIONS FOR ENTERPRISE DEVELOPMENT?

5.1. Setting up specialist regional/local enterprise development centres/agencies?

Importance? 1 2 3 4 5 6 7

Need to improve national performance in this respect? 1 2 3 4 5 6 7

Level of difficulty in improving performance? 1 2 3 4 5 6 7

5.2. Developing the entrepreneurial capacity of existing business support organisations?

Importance? 1 2 3 4 5 6 7

Need to improve performance in this respect? 1 2 3 4 5 6 7

Level of difficulty in improving performance? 1 2 3 4 5 6 7

5.3. Developing the capacity of existing NGOs working in SME development?

Importance? 1 2 3 4 5 6 7

Need to improve performance? 1 2 3 4 5 6 7

Level of difficulty in improving performance? 1 2 3 4 5 6 7

5.4. Developing specialist institutions to focus upon specific aspects of SME development?

Importance? 1 2 3 4 5 6 7

Need to take action in this area? 1 2 3 4 5 6 7

Level of difficulty in taking action? 1 2 3 4 5 6 7

5.5. Developing specialist institutions to support specific industry and commercial sectors?

Importance? 1 2 3 4 5 6 7

Need for action? 1 2 3 4 5 6 7

Level of difficulty in taking appropriate action? 1 2 3 4 5 6 7

SECTION 6. DEVELOPING SPECIFIC PROGRAMME SUPPORT

6.1. Providing adequate business information and advisory services for SMEs?

Importance? 1 2 3 4 5 6 7

Need for improvement in this area? 1 2 3 4 5 6 7

Level of difficulty in making improvements? 1 2 3 4 5 6 7

6.2. Providing adequate counselling/consulting services to SMEs?

Importance? 1 2 3 4 5 6 7

Need to make improvements in this area? 1 2 3 4 5 6 7

Level of difficulty in making improvements? 1 2 3 4 5 6 7

6.3. Providing adequate training and education services to SMEs?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Need to make improvements in this area?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in making improvement?</i>	1	2	3	4	5	6	7

6.4. Provision of specialist micro and other finance programmes to SMEs?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Need to make improvements in this area?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in making improvements?</i>	1	2	3	4	5	6	7

6.5. Developing programmes for special areas of SME need?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improvement in provision?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

6.6. Segmenting the SME sector market to achieve greater effectiveness in programme provision?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improvement in doing this?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

6.7. Developing standards for business and financial services delivery to SMEs?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for development in this respect?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

6.8. Programmes for Civil Service Development to create empathy with SMEs?

<i>Importance</i>	1	2	3	4	5	6	7
<i>Scope for development in this respect?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in achieving this?</i>	1	2	3	4	5	6	7

6.8. Developing sustainable 'markets' in SME support programmes?

<i>Importance?</i>	1	2	3	4	5	6	7
<i>Scope for improvement in this area?</i>	1	2	3	4	5	6	7
<i>Level of difficulty in making improvement?</i>	1	2	3	4	5	6	7