

A modern strategy for an agency for the development of SME and entrepreneurship

- International best practices -

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1. Introduction

- The newly reorganised Ministry of Economic Development and Poverty Reduction of the republic of Uzbekistan created a new Agency for the development of entrepreneurship on the basis of the former SME development agency
- One of the first tasks of the agency is the development of a new and modern strategy for the agency's activities
- The following Policy Briefing aims to
 - provide an overview on some best practices derived from international experiences of SME agencies worldwide
 - serve as a basis for discussion in order to identify concrete need for advice of the agency

2. Typical objectives and target groups

Objectives

- Creation of employment through business founding
- Creation of jobs (within existing enterprises)
- Facilitating innovation
- Prevent discrimination of private SME (vs. big enterprises, SOE)
- Improve public image of entrepreneurs and SMEs

Target groups

- Nascent entrepreneurs
- Founders of subsistence businesses
- Founders of growth-oriented businesses
- Founders of technology startups
- Freelancer
- Liberal professionals
- Innovative SME
- Export-oriented SME
- Founders from disadvantage groups

3. Core tasks and support services offered

Best practices from international experience show that activities of many SME agencies cover the following functions:

- Information dissemination to nascent entrepreneurs and building a positive image of entrepreneurship in the country
- Training
- Counseling and advice
- Mentoring
- Financing (directly or through guarantees)
- Export promotion
- Networking and match-making
- Helping disadvantage groups
- Policy advocacy, e.g. improving general investment climate through systematic research about SME's needs and problems
- SME sector monitoring

4. Designing support programs: Success factors

The following success factors increase the efficiency of support programs and services offered:

- Good understanding of the needs of SME
- Design specific programs for meeting the specific needs of different target groups with the SME sector, e.g.
 - Founding a micro business to earn a living vs
 - Grow an innovative business to a level of international competitiveness
- Integrate financial and non-financial support
- Integrate entrepreneurship support with regional development (e.g. cluster)
- Focus resources on those SMEs of the most promising industries/sectors

Case of Bundesland Brandenburg in Germany:

Changed its industrial SME policy from „watering can“ to targeted approach in 2005:
Focused its resources on 10 industries -> Brandenburg's GDP growth rate tripled
Focused its resources even more to clusters, starting in 2011

5. Visibility and promotion of services

SME Agencies world-wide use more or less the same channels and tools to promote their services:

- Website
- Regional, district and local offices
- Promotion material
- TV commercials
- Social media
- Schools and universities
- Chambers of commerce
- Making use of organisations represented in the board or council

6. Organisational success factors

- An efficient organisational structure that is clear to customers, staff and stakeholders alike
- Consequently adhering to guiding organisational principles, e.g. specialisation by target sectors, regions, or service areas
- Coherence between the organisational structure and processes
- Attract and retain qualified and experienced staff
 - Private sector experiences
 - Specific industry knowledge
 - Competitive salary and bonuses to retain people
- Professional organisation management incl. transparent budgeting
- Systematic information and knowledge management
- Cooperation model with regional authorities
- Professional network with state authorities, private sector representatives, development partners and other stakeholders
- Third party contracting for the implementation of programs

7. Institutional framework: Success factors

- A unique legal definition of SME: for statistics, for regulation and for all support programs
- Autonomy of the agency = prevent political interference at operational level
- Operational freedom for the agency management = result-oriented
- Long-term sufficient funding
- Binding strategic objectives
- Accountability
 - Evaluation of support services and adaptation, if needed
 - Result-based reporting for policy

8. Assessing success and efficiency of the agency

- Quantitative output indicators include
 - Take up of schemes
 - Reaching the target group
 - Utilisation of credit lines
 - Benchmarking with international counterparts
 - ...
- Qualitative output indicators include
 - Expert reports
 - Recipients opinions

8. Assessing impact on the beneficiaries

- Quantitative **outcome** indicators include
 - Number of newly created jobs of assisted companies (as opposed to others)
 - Number of newly created businesses by assisted founders and assisted nascent entrepreneurs
 - Number of product or process innovations of assisted companies (as opposed to others)
 - Comparison of the performance of ‘Assisted’ with ‘Typical’ firms
- Qualitative **outcome** indicators include
 - Recipients’ view of the difference made by the program
 - Experts’ reports

Attention: Outcome indicators are also influenced by factors other than the policy program (e.g. product market development etc.).

9. Outlook

Especially a newly created state agency for the development of SME and entrepreneurship must focus its resources on building a positive reputation from the very beginning, additionally to all things mentioned above

- **Short-term priority:**

Building a positive reputation: Visibility, Credibility and Accessibility by means of

- success stories
- lighthouse projects
- Testimonials ...

- **Medium-term objectives:**

- Increase reach/scope/coverage
- Increase efficiency

- **Long-term goal:** Flexibility

About the German Economic Team

The German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Georgia and Uzbekistan regarding the design of economic policy reform processes and a sustainable development of the economic framework. As part of the project we also work in other countries on selected topics.

In a continuous dialogue with high-level decision makers of the project countries, we identify current problems in economic policy and then provide concrete policy recommendations based on independent analysis.

In addition, GET supports German institutions in the political, administrative and business sectors with its know-how and detailed knowledge of the region's economies.

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