

CONCLUSIONS AND RECOMMENDATIONS

UNECE INTERNATIONAL CONFERENCE

“REDUCING BARRIERS TO ENTREPRENEURSHIP AND ENCOURAGING ENTERPRISE DEVELOPMENT: POLICY OPTIONS”

held on 18–19 June 2007 at Palais des Nations, Geneva, Switzerland

The participants of the UNECE International Conference “Reducing Barriers to Entrepreneurship and Encouraging Enterprise Development: Policy Options” held on 18–19 June 2007 at Palais des Nations in Geneva, Switzerland adopted a number of conclusions and recommendations.

Conclusions

1. At the present stage of development of catching-up economies¹, the emergence of new enterprises and advance of entrepreneurship increasingly promote the national competitiveness, through enhanced innovation, new products and services marketed and better employment opportunities. The experience accumulated in developed market and catching-up economies shows that the main preconditions for unhampered enterprise development are:

- a) general settings for a market economy, political will of Governments to foster entrepreneurship, the rule of law in general, and the stability of property rights and consistent anti-corruption policies, in particular; business-friendly tax regime and labour-market regulations;
- b) favourable regulatory and institutional conditions governing the development of enterprises, which include conditions for enterprise entry and exit from the market, as well as conditions for their operation and competition;
- c) strong capacity of innovating enterprises to translate the results of R&D into commercial products;
- d) well-functioning financial markets, and uninhibited access of entrepreneurs to the finance required to start and operate an enterprise;
- e) adequate education and training, including the opportunities for training of would-be and operating entrepreneurs;
- f) favourable attitude towards entrepreneurship in the society, including that towards women’s and youth entrepreneurship; and
- g) proper conditions for cross-border expansion of enterprises.

¹ The term “catching-up economies” is used to define the group of ten new EU member states (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia), countries of Southern-East Europe (Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia and The former Yugoslav Republic of Macedonia) as well as the countries of Eastern Europe, Caucasus, and Central Asia (EECCA), Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

2. International surveys show that the inefficiency of governance (government bureaucracy and corruption), taxations issues (taxation regulations and taxation rates), inadequate access to finance and skills shortages are among the major impediments to enterprise development. At the same time, shortage of working capital, inadequate information on business opportunities and markets abroad, and lack of communication with potential overseas customers represent serious obstacles to SME expansion in the international markets. Governments in catching-up countries have designed policies aimed at facilitating the establishment and operation of enterprises, alleviating their tax burden, improving their access to financing and promoting their cross-border operations.

3. Over the last few years, the catching-up economies across the region have made progress in simplifying and reducing the procedures associated with establishing an enterprise, and this obviously resulted in a decrease in the number of days required to establish a company. The same applies to the cost of starting a business, including the minimal capital requirements, which have also decreased. Importantly, several governments have streamlined the system of controlling operational enterprises. At the same time, the administrative procedures related to setting up a company in catching-up economies remain numerous and complex. The time needed for entrepreneurs to comply with these procedures, as well as the relative costs involved, are generally still higher than in the developed market economies.

4. Catching-up countries in the region have been trying to simplify their tax systems, and reduce the number of taxes and effective tax burden on SMEs. As a result, according to the surveys, in the new EU member States this burden seems to have been significantly alleviated, while the picture is more heterogeneous in the other catching-up countries.

5. The access of start-ups and SMEs to external sources of finance in the catching-up economies of the region has become easier. At the same time, it remains a source of concern for entrepreneurs in Eastern Europe, Caucasus, and Central Asia (EECCA) and South Eastern European countries.

6. Recently across the region, governments in cooperation with the private sector have been making efforts to strengthen public governance and reduce the scope for corruption associated with business operation and the scale of shadow economy. This is being done through the reform of judicial systems, tax reform, establishment of special public-private anti-corruption consultative bodies and strengthened accountability of civil servants. The limited data available attest to an improvement of corruption perceptions in catching-up countries, progress being particularly tangible in the new EU member States.

7. While the proportion of enterprises operated by women-entrepreneurs in catching-up economies has grown recently, persisting gender barriers inhibit access of women-entrepreneurs to resources, financing, in particular.

8. For successful enterprise development, it is crucial that the major stakeholders cooperate closely: i.e. central and local governments, operational and would-be entrepreneurs, enterprise associations and training centres for entrepreneurs. Cooperation with the interested partners provides governments with essential feedback, helping them to establish a regulatory and institutional environment that should create incentives for entrepreneurship, thus encouraging technological change and promoting local economic development.

Recommendations to central and local governments:

9. Consistently implement measures aimed at facilitating enterprise establishment, giving consideration to this end to the recommendations of the World Bank and the European Commission, in particular to the recommendations to use the “single window” technology to register start-ups, employ standardized forms, enable online registration, introduce the “silence is consent” rule and keep administrative costs of registration low.
10. Simplify the procedures governing operational enterprises, in particular reduce the number of required permits and licences and increase their validity terms, improve coordination among various supervisory agencies and reduce the overall number of inspections born by enterprises.
11. Continue aligning the taxation policy to the needs of enterprises, especially the SMEs, and, in particular, simplify the taxation procedures, reduce the number of tax payments and improve the tax administration for enterprises. Where appropriate, namely with respect to innovating SMEs, consider implementing targeted measures of tax incentives.
12. In consultation with banking institutions, design measures facilitating access of SMEs to bank finance, in particular special credit schemes for long-term investment financing, including prolonged grace periods, loan guarantees provided via public-private SME-focused programmes, and more favourable collateral acceptance rules. Drawing on assistance from international financial institutions, develop alternative forms of funding for start-ups and SMEs, in particular financing from specialized public-private funds, leasing, micro-financing and the like. Support the “investment readiness” of enterprises through training and other awareness-raising initiatives that enhance their ability to attract finance.
13. Implement systemic measures aimed at improving public governance and alleviating corruption and unofficial payments by enterprises. Strengthened independence of judges, enforcement of taxation rules penalizing illicit payments, the establishment of anti-corruption public-private advisory bodies and enhanced accountability of civil servants should serve the interests of emerging entrepreneurs and enterprise operation. Encourage business operators to embrace and enact nine principles spelled out by the United Nations Global Compact.
14. In order to reduce barriers to SME expansion abroad, in line with the OECD recommendations, create mechanisms that facilitate the participation of SMEs in the trade policy process, assist exporting enterprises in diagnosing and understanding the business environment they face in host countries, and design programmes that help firms to overcome trade barriers.
15. Address cultural barriers to enterprise growth through a series of measures designed to encourage and stimulate entrepreneurial spirit, particularly among young people, and help them understand the opportunities offered by entrepreneurship.
16. Seek to redress the imbalance with regard to communities underrepresented in the enterprise economy – particularly women and ethnic minorities. The enterprise development policies should be gender-sensitive.
17. Collect and disseminate information on good practices in reducing barriers to entrepreneurship and enterprise development in developed market and catching-up economies; on this basis, and in cooperation with interested private companies and entrepreneurs’ associations, local governments should initiate training courses for government officials, company managers and would-be entrepreneurs.

18. Use public-private cooperation when designing and implementing enterprise development policy at central and local levels. Facilitate the participation of SMEs in public-private consultations on this subject and take into account their particular needs. In cooperation with entrepreneurs' associations, establish mechanisms for monitoring the implementation of enterprise-development policies.

19. In the development of policy and legislation for enterprise development to adopt the principle of "Think Small First" to ensure that their impact on SMEs is considered proactively during the decision-making process.

20. The International Conference invites the UNECE secretariat to summarize the good practices presented and discussed, as well as its recommendations, in the three working languages of UNECE as speedily as possible and to distribute the outcome of the Conference to member Governments, the private sector and academic institutions interested in this subject.

21. The International Conference recommends the UNECE to focus its future work in the area of enterprise and entrepreneurship development in the following areas:

- a) Government support to innovative start-ups and SMEs; analysis and dissemination of good practices in creating enabling environment for clustering, subcontracting and participation of SMEs in international value-chains;
- b) Ways and means of facilitating the access of innovative SMEs to financing, including through venture and guarantee funds; and
- c) Public-private cooperation in promoting the cross-border expansion of SMEs.