

ENTREPRENEURSHIP AND DEVELOPMENT

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The promotion of small and medium enterprises (SMEs) has been a field of activity for Swisscontact since 1980. The Swiss Foundation for Technical Cooperation promotes SMEs through local institutions in the urban and rural areas to enable them to become competitive and to create new jobs and income.

Accelerating economic growth is the crucial factor for poverty reduction. No country became rich because of a sophisticated poverty reduction strategy, but because it created the necessary conditions for private investment. SMEs are in any economy the core element of development. Many factors influence their success. One key factor is the entrepreneur himself. Technical skills can be acquired but many crucial characteristics of entrepreneurship like the detection of true innovations or choosing the right collaborators cannot be learned. Promotion programmes for SMEs therefore focus on the facilitation of training and consulting, access to market, finance and information.

Towards a working market for Business Development Services

The development of a vibrant SME sector requires an environment that provides SMEs with appropriate, sustainable Business Development Services (BDS). This does not usually exist in developing economies. BDS provision tends to be characterised by both its limited relevance to SMEs' reality and its weak long-term sustainability; i.e. the BDS market is not working.

The existence of poorly performing markets for BDS is caused by inadequate service offers from BDS suppliers and weak demand from SMEs. Or put another way, providers of BDS lack the right skills, disciplines and market incentives. Swisscontact believes that market relationships offer the best opportunity for sustainable and effec-

tive BDS and that functioning markets can be stimulated by the development of more effective BDS institutions. The best BDS providers are those which are closest to their clients and have a transactional, business-like relationship with them. BDS institutions therefore need to be entrepreneurial and demand-led. In order to encourage BDS providers to develop (in terms of their people, products and systems) in this way, donors themselves need to develop a business-like relationship with BDS providers.

Holistic approach

Swisscontact promotes SMEs through supportive measures at the enterprise, meso and macro level:

At the **enterprise level**, Swisscontact supports market analysis and needs assessments as well as pilot projects. To measure the impact of its initiatives, Swisscontact monitors and evaluates the development of its projects through the assessment of the progress of the individual SMEs.

The focus of Swisscontact's interventions lies at the **meso level**. We support business services providers to improve their services to SMEs and promote networks to facilitate the access of SMEs to information and resources, e.g. by promoting access to finance for SMEs and by supporting financial institutions to provide their services to SMEs. Furthermore, we promote demand oriented vocational education and training within educational establishments in order to support the development of skills for SME staff.

Favourable regulatory and legal conditions are critical for the development of SMEs. In policy dia-

logue at the **macro level**, Swisscontact contributes to improving these conditions by strengthening local partners and the capacity of relevant authorities at the national and local levels to provide an enabling business environment for SMEs; with a focus on local economic development, Swisscontact facilitates the participation of, and the dialogue among, all stakeholders within a region (regional/ local government, SMEs, employees, among others).

These supportive measures at the different levels, combined with interventions in the field of financial services promotion and skills development reflect the holistic approach of Swisscontact's work. This approach based on the principle of access to markets for SMEs is the way to promote private sector development on a sustainable basis.

Uganda: Carpentry Best Practices

The "Carpentry Best Practices" project, concluded at the end of 2005, can be described as one of the most successful Swisscontact projects in East Africa. Over the past five years, more than 14,000 carpenters have participated in the various training courses in technical and business management areas, and twenty training centres are now functioning on the basis of an improved curriculum and using the jointly developed course documentation.

Ecuador: Quality Management and ISO 9001

With the support of Swisscontact, VECACHI, an Ecuadorian shoemaking and sales company underwent a quality management and certification process. The SME has since increased production and sales by 40% and created 30 new jobs. The company started its operation in the 1980's with six staff members and currently employs 60 persons. VECACHI's quality policy now is: "To manufacture footwear that meets requirements agreed upon with the customer, by ongoing improvement of processes and involving collaborators, to provide satisfaction for our customers". The qualitative results include:

- ⇒ More customer confidence.
- ⇒ All staff has legal contracts and benefits.

- ⇒ Improvement in human resources, implementing processes to select, assess and develop personnel.
- ⇒ Better collection and complaint system.
- ⇒ Improved facilities and plant safety.
- ⇒ Management indicators system in place.

***Swisscontact** is the organization of the Swiss private sector for development cooperation. Its aim is to promote private economic and social development in selected countries in the South and East through advisory services, training and continuing education. Some 300 Swisscontact staff members in 25 countries, in close cooperation with their local partners, are committed to a sustainable development on the principle of helping others to help themselves.*

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