

**BUSINESS INCUBATION AS ELEMENT OF
BUSINESS SERVICE INSTITUTION AND SME
DEVELOPMENT INFRASTRUCTURE FOR CREATION
OF NEW ENTERPRISES IN CITs**

by

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INTRODUCTION

The core of the political and economic transformation of any country in transition (CIT) is the creation of the private sector, the development of entrepreneurship and creation of small and medium-sized enterprises (SMEs). They are considered to be one of the principal driving forces in economic development. SMEs stimulate private ownership and entrepreneurial skills, they are flexible and can adapt quickly to changing market demand and supply situations, they generate employment, help diversify economic activity and make a significant contribution to exports and trade. SMEs also play an important role in innovation and the high-tech business, due to their flexibility and creativity many of them became large businesses. In this process emphasis should be laid on creation of a business friendly environment in which the transformation of the society towards a market economy should be taken place.

Promoting entrepreneurship has a vital role to play in improving competitiveness of small businesses and improving Europe's employment situation.

In the early years of transition, in many countries the activity of the Governments focused primarily on privatization and restructuring of large state enterprises, while SME supporting programmes were mainly initiated by international donors. By now the importance of SME national policy is clearly recognized both by Governments and entrepreneurs.

International expertise shows that among the many solutions proposed, business incubation seems to be one of the most effective means for assisting entrepreneurs in starting a new business, nurturing young enterprises, and helping them survive during the vulnerable start-up period.

The number of business incubators is growing rapidly over the world, from 200 at the beginning of the 1990s to around 4,000 today. For example, there are currently more than 550 incubators operating in North America, and around 50 incubators in Australia. In developed European countries like Finland there are 30, in Germany more than 200 business incubators are working with 3,700 SMEs creating 28,000 jobs, and some 200 incubator-type institutions in France. Over 100 incubator schemes of different sorts operate throughout the United Kingdom. In Turkey the business incubation programme is very advanced with its 41 operating business incubators and technoparks at time being.

The number of business incubators in the emerging market economies as well as in the countries in transition is growing every year with 25 business incubators in Croatia, 35 – in Hungary, 100 business incubators – 55 business incubators + 17 technology centres + 28 science and technology parks - registered today in Poland, 43 in Romania, 16 business support facilities - 8 business incubators + 8 industrial and technoparks – in Slovakia, At the end of 1998, there were 23 science and technology parks in operation and 14 in preparation in the Czech Republic. In Slovenia there are 5 classical business incubators and 3 university-based incubators. In addition, the number of technology oriented business service providers is rather high: there are 3 technoparks and 27 technological centres. In the Republic of Serbia and national business incubation programme has been started in 2005, and the time being there are only 2 business incubators.

In the CIS countries there are 12 business incubators in Kazakhstan, 23 - in Uzbekistan, and 65 in the Russian Federation. In Belarus 5 business support centres, 6 incubators and 2 technoparks have been established so far. In Ukraine there are 9 business incubators and 8 technoparks in operation. In the Republic of Moldova there are 6 business incubators, however non of them reached the criteria of sustainability yet.

The European Business Innovation Network has created a network of some 120 Business Innovation Centres throughout the European Union, the majority of which also perform a business incubation function. [3]

INTEGRATED APPROACH OF SME DEVELOPMENT – THE SME DEVELOPMENT PYRAMID

The development of the SME sector in the countries in transition is most effective when activities and assistance are integrated and aimed at three distinct levels: ^{1 2}

- (i) **strategic level** (*policy making*);
- (ii) **institutional level** (*support institutions*);
- (iii) **enterprise level** (*entrepreneurs and business entities*).

The above-mentioned levels create an **SME Development Pyramid structure** in which the strategic level is considered as the highest priority and is "located" at the tip of the pyramid. The institutional level is located in the middle and is interlinked with both the SME policy-makers at the top and the entrepreneurs at the bottom for whom they are created and to whom their services are offered. The third level is the base of the whole structure: they are the actors of the SME sector whose performance, behaviour, efficiency and inefficiency are reflected in the mirror of economic transformation. The whole building is sound only when there is mutual development, acceptance by each other and operative cooperation. The philosophy of the Integrated Approach of SME Development see in Annex 1.

THE ROLE OF BUSINESS SERVICES INSTITUTIONS

At the macro level the major constraints to SME development lie with:

- (i) Business friendly environment, including the legislative and regulatory framework,
- (ii) Government should elaborate manage long-term national SME support programme in order to establishment of the provision of business service institutions at the possible lowest costs,
- (iii) Government should develop special financial intermediaries in order to facilitate access to financing especially for start-ups.

At the micro level we can identify the following requirements for **business services institutions³ (BSIs)**:

- (i) Demand-side orientation,
- (ii) Collective approach,
- (iii) Cost recovery methodology,
- (iv) Cross-subsidization
- (v) Sustainability, and
- (vi) Monitoring/Evaluation of effectiveness and efficiency.

There are essentially two types of services provided by BSIs:

- (i) Basic services, called "introductory consultations" or "information and general advisory services," are usually provided free of charge. These include one-stop-shop services, which are service packages required by national or foreign entrepreneurs and offered under one roof. One-stop-shops are considered to be time efficient and to discourage corruption.

¹ Antal Szabó, "The role of small and medium-sized enterprises in countries in transition and how to promote them", ECE Advisory Workshop on Industrial Restructuring, Geneva, 8-9 June 1995.

² <http://www.unece.org/indust/sme/sme-role.htm>

³ Business services institutions, business services providers or business services organizations are interchangeable in meaning and are hereafter referred to as business services institutions (BSIs).

- (ii) Specialist advisory services or consultancy services consist of specialist advice in a particular area, e.g., general management, marketing and sales, production management, human resource management, etc. There is a general agreement that they should be offered in exchange for a fee.

BSIs can be state organizations, regional authorities, public/private partnerships, subsidized private agencies and companies, etc. In light of typology, BSIs can be divided into the following categories:

- Entities providing services to SMEs;
- Entrepreneur organizations;
- Research institutes and academic units, and
- NGOs focused on SMEs;

Entities providing services to SMEs are usually non-profit organizations specializing in the provision of advisory, information and training services to SMEs or start-ups. They can be:

- (i) Business Support Centres;
- (ii) Business Information Centres;
- (iii) Business Incubators, Techno/Scienceparks;
- (iv) Innovation, Research and Technology Centres;
- (v) Non-profit financial institutions, financial intermediaries;
- (vi) Regional Development Agencies.

It is generally recognized that start-ups should get at least one free consultation. Services are usually delivered by people with commercial/business backgrounds. They are tailored to company's needs and stage of development, e.g., start-ups, established and growth companies would require different services. Services vary, with training, advice, information, and technical assistance, being more prominent than providing finance directly. Other services include one-stop-shop facilities, technological and innovation think-tanks, promotion tools for international trade, advice on public-sector contracts, electronic commerce, marketing management, financial management, internal and external feasibility study, adult education/training, etc.

The provision of business advisory, counselling and information services in the advanced market economies are based on the following principles:

- (i) Subsidiarity, i.e., delegating the provision of services as close to the clients as possible; thus, their needs can be met in the most effective way;
- (ii) Close contact with entrepreneurs, including regular visits;
- (iii) Personalized service, which in Italy is based on the lifecycle of an enterprise and includes an interview to identify a project and computerized tests to assess entrepreneurship and risk;
- (iv) Partnership with local, regional, national and European actors;
- (v) Entrepreneurs' ability to voice their views through the BSIs and to influence local or national decisions.

Business support centres (BSC), incubators and technoparks all try to provide new small and medium-sized enterprises (SMEs) with the resources necessary to improve their chances of success. Different entities emphasize different mixes of space, training, capital, human and computer networking, consulting, etc. Several definitions have been proposed, but definitions have to be flexible to fit current usage. To cover all of these various entities, the term "Local Business Assistance Centres" (LBAC) has been suggested. Generally, business support centres emphasize soft resources such as training, while technoparks emphasize physical resources such as space. The best business incubators try to provide all the resources for small businesses' survival and growth. While technoparks often focus on space and business support centres on consulting, but incubators

identify the bottlenecks and try to overcome them. Depending on the environment, the bottleneck could be space, training, access to capital or markets, infrastructure such as computer networks, and many others.

In fact, instead of speaking about “business incubators” emphasis should be put on the term “business incubation” - an interactive development process aiming at encouraging people to start their own businesses and supporting start-up companies in the development of innovative products. Incubation also means the development of a supportive and stimulating environment for entrepreneurship

2. PRACTICE OF BUSINESS INCUBATION IN THE SELECTED CEE AND CIS COUNTRIES

In this chapter we compile the situation of the business incubator development as part of the national SME support infrastructure based on the presentations by the following national experts. *Rshun Martirosyan* (Armenia), *Sanja Pfeifer, Aamaria Mandic* and *Igor Medic* (Croatia), *Nino Elzbarashvili, Samadashvili* and *Burchuladze Revas* (Georgia), *Péter Miklós Szirmai* (Hungary), *Krzysztof Zasiadly* (Poland), *Aurelia Braguta* (Republic of Moldova), *Erić Dejan* (Republic of Serbia), *Zsuzsanna Katalin Szabó* and *Daniela Stefanescu* (Romania), *Renáta Vokorokosová* and *Vincent Soltés* (Slovakia), *Mateja Drnovsek* (Slovenia), *Marija Zarezankova-Potevska* (The former Yugoslav Republic of Macedonia), *Dilek Centindamar* (Turkey) and *Andrey A. Tarelin* (Ukraine).

ARMENIA

Business Incubators and Techno-Parks don't have long history In Armenia. There is no special law in Armenia, which will regulate the function of techno-parks and incubators. There is only one business incubator and two techno-parks. The Government has been realized the importance and role of the business incubators in the development of start-ups. The Armenian Government with the assistance of the OSCE is in the process of launching a business incubation programme in the country and invites international donor organizations to participate in this process.

CROATIA

In Croatia, particular interest has been placed to the identification of the characteristics, conditions, and factors that foster new venture creation or high growth rates of the established businesses. A number of policy measures have been designed to address the new venture creation or development of the growth potential of the new ventures. One of the initiatives has been establishment of the incubators.

New ventures are highly vulnerable and majority of the start-ups do not live up to three years after foundation. Business incubators provide wide assortment of the assistance services to the start-up companies: from operational and material assistance in capacity building; to advisory and strategic assistance in building competitive sustainability during the early phase of the venture existence. In general, business incubators provide nursery for aspiring entrepreneurs, and serve under a few broad mission statements:

- Initiating local community development or revitalization,
- Enhancing knowledge and technology transfer and speeding up high grow potential of the existing businesses,
- Fostering commercialization of the university research.

Only a limited research in the nature, development, management, and evaluation of the incubators and incubation processes in the context of the countries in transition has been publicized. However, benchmarking the experiences of the business incubators all over the world, and especially in the peer context, provides a foundation from which learning, developing programmes, governance and control; management and leadership, client tracking, impact assessment and evaluation can be enhanced.

GEORGIA

The first and time being the only one Georgian Business Incubator was established in 1998 and since 1993 the organization was and continues to be affiliated with the Georgian Association of Women in Business. The main direction of Georgian development is the poverty reduction and economical growth, which could not be achieved without supporting the capacity building in the rural and urban areas of Georgia, without assisting emerging small and family owned businesses through the knowledge and skills transfer, through creation of cooperation network among the tenants, business incubators and other supporting organizations. In this concern, development of SME sector is the main priority of country's economical development.

HUNGARY

The most important, most extensive and best prepared enterprise development network in Hungary is the **Hungarian Enterprise Development Foundation** (Magyar Vállalkozásfejlesztési Alapítvány, MVA) **and the network of the Local Enterprise Centres**. MVA was founded in 1990, fundamentally by the Hungarian state, but 16 other banks and federations for the representation of interests also joined as charter members of MVA. The founders set as the task of MVA to support the establishment and development of Hungarian small and medium-sized enterprises. In November 1990, the European Commission appointed MVA as the entity in charge of the execution of the small and medium-sized enterprise development project of the PHARE programme MVA's task was to use

On the web page of the EU⁴ we can find the following information on the development programmes of Hungarian business incubators: "The first business incubators were established in Hungary in 1991. The Phare programme has provided funds (supplemented by national funds) for the establishment and/or improvement of 16 business incubators managed by the network of Local Enterprise Agencies. The number of incubators is currently 24. Most of them are members of the Association of Business Incubators. Their size varies between less than 300 m² and above 5 000 m², and they are spread all over the country. Enterprises renting business space in an incubator house are mainly start-ups (up to three-five years of age) and belong to the smallest category (employing less than 10 people, only a small number has more than 10 employees). A new trend in the development of incubators is sector-specialisation, and technology orientation (enterprises involved in specialised software applications, IT, e-commerce, new media, biomedical technology, engineering services, advanced telecommunication etc. form the target group of a technology-oriented incubator house)."

Examining this development in more detail we can say that some experimental industrial parks were established as early as the late 1980s, and in fact several of them were planning to provide business incubation services as well. The first government decision on a development programme promoting the establishment of industrial parks, however, was only made in 1996, which was followed by the launching of a programme (in 1997) for creating industrial parks. As an

⁴ http://ec.europa.eu/enterprise/enterprise_policy/enlargement/cc-best_directory/research/hungary.htm#business

effect of this programme, such institutions developed quickly, also taking advantage of the economic boom and the favourable position of Hungary as a target country for investments.

The Hungarian Business Incubator Association was founded in 1991 by six private persons. Currently it has 42 members, including incubators, associated members, supporting member etc. The HABI transformed itself into community society in 2004. The aim of HBIA is: Elaboration and coordination of information, theoretical and organisational development of the incubator's network, as well as creating and maintaining local and international networking to ensure the adaptation of technology transfer and good practices of incubation.

POLAND

There are no special regulations on creation of Business and innovation Centres in Poland. Any form is welcome. They are based on the different legal acts depending on the interest of founders. When they expect support from Structural Funds Business and Innovation Centre should be non profit entity. Nowadays according to Polish legislation any structure can state in the charter non for profit activity.

Between 1990 and 2005, over 550 groups were established to build various centres for small business promotion, including 55 business and innovation incubators.

The first business and innovation centres in Poland were focused on technology transfer and promoting innovative firms. They emphasized problems of innovation and technology progress and aimed at building technology innovation centres as well as technology parks. The later Business Incubators, Small Business Assistance Centres and Entrepreneurship Development Funds aimed on solving unemployment problems and promoting entrepreneurship which results from ever greater acuteness of that problem and easier possibility to acquire support for training and business start up.

In difficult environment of transforming of the economical, political and social system Poland has effectively adapted the concept of business incubation. Looking back through 15 years of economic transition process Business Incubators, Small Business Assistance Centres and Entrepreneurship Development Funds have developed successfully.

In developed countries those institutions are one of the elements constituting the infrastructure for promotion of entrepreneurship and technology. In many communities in Poland they used to be the only institutional support for entrepreneurs and small business.

Specific aims notwithstanding, all of these centres are for business. Creating new entrepreneurs means new reality in Poland.

The Business and Innovation Centres underway aim at solving local economic and social problems by :

- training entrepreneurs how to start business activity and develop the enterprise in free market economy,
- search for and evaluation of new business projects,
- technical, economical, financial, legal and other forms of consulting,
- search for finances for business projects and making acquisition of capital easier,
- business planning,
- technology transfer,
- use of idle production rooms providing floor for new businesses.
- providing all above mentioned services

REPUBLIC OF MOLDOVA

In the Republic of Moldova in the course of small business development there were attempts to create an infrastructure for SME support. One of the problems mentioned by entrepreneurs was the underdeveloped infrastructure.

At the moment there does not exist a National Agency for SME Development according to EU standards, yet there is a small business support structure created with the enactment of the small business support law in 1994. Thus, in the Republic of Moldova there exists the small business Development Directorate at a governmental level, which has a goal of assisting the development of small and medium enterprises in the Republic of Moldova by elaborating and promoting state policy in the field of entrepreneurship development, the elaboration and implementation of state Strategies and Programs regarding the support and development of SMEs. The Directorate is a structure of the Ministry of Economy and Trade and does not have an independent statute.

Since 2004, with the emergence of the Regulatory Reform in the Republic of Moldova the Entrepreneurship Development Directorate was created. The aim of this Directorate is to uncover and to suggest proposals for the elimination of narrow legal, normative and institutional elements that have a negative influence on entrepreneurship activities. Also, the suggestion of proposals regarding the adjustment of the normative, legislative and institutional basis that deals with the regulation and diversification of types of entrepreneurship activities.

The idea of a business incubator emerged in the 1990s, yet the first classic incubator was registered at Bălți, initiated by the Chamber of Commerce and Industry with the financial support of the German Agency for Cooperation and the city municipality.

It may be concluded that in the Republic of Moldova there are: a) business incubators, b) incubation centers – differing by operating criteria. Unlike business incubators, the centers offer assistance to entrepreneurs, without physical spaces where companies could have their legal address and offices for activity development. Judging by these criteria, presently, there are registered and functioning about 6 business incubators, yet having various forms of registration and differing by functioning principles, as well as 2 incubation centers.

Republic of Moldova's experience in the field of technological, scientific or industrial parks is very limited. We may mention the creation at the end of the '90s of an industrial park, within a giant TV-set producer. The restructuring of the ALFA company created a joint stock company that was named an industrial park and that had certain conditions available to all the members of this park

REPUBLIC OF SERBIA

In Serbia at the moment there are only two business incubators – Business Incubator Centre (BIC) in the city of Nis and Business Incubator Centre in Knjazevac. There is the initiative to establish BI in many cities. The nearest to establishing BI are Subotica, Vranje and Belgrade. Elaboration of the *Manual for establishing new business incubators* is in process and it will be the basis for setting up new incubators. Great efforts are being done in that sense by the Ministry of Economy of the Republic of Serbia in cooperation with the Agency for Development of SMEs

During 2005 and 2006, the Agency in cooperation with SINTEF in the frame of the ENTRANSE programme organized a large promotion campaign of the concept of establishing business incubators in 19 cities in Serbia. Almost all major regional centres were visited: Zajecar,

Kragujevac, Leskovac, Vranje, Valjevo, Beograd, Novi Pazar, Prokuplje, Pirot, Subotica, Sombor, Novi Sad, Uzice, Krusevac, Zrenjanin, Sabac, Backa Topola, Smederevska Palanka and Bor.

ROMANIA

The Romanian Government had a series of initiatives in promoting industrial parks, and concepts related to it, such as business incubators and technological parks, starting from 2000 through the Law No. 134/2000 regarding the rule of industrial parks. A year later, in 2001, was adopted Government Ordinance No. 65/2001 which establish the rule of starting and function of industrial parks and revoke the previous law.

In 2002 was adopted the Government Ordinance No. 14/2002 to constitute and function of the technological parks, approved in 2003 through Law No. 50/2003.

Another Government Decision (GD) was No. 406/2003 concerning the approval of specific methodological rule about constitute, function, the evaluation and accredit entities from innovation infrastructure and technological transfer, also about the method of sustaining them.

The GD No. 128/2004 is concerning the approval of National Plan “The Development of innovation infrastructure and technological transfer – INFRATECH”.

In 2004 was adopted GD no. 1232/2004 for approval the Protocol between MASMEC Romania and United Nation Program regarding National multi-annual program for setting up and development of technological and business incubators during 2002 – 2005. The procedure of implementing the program was approved by the President Order of NAMSEC (PONAMSEC) no. 215/2004 and completed with PONAMSEC nr. 197/2005. In 27 July 2005 the program was official roll on by the State Minister for coordinating the activities of business environment and SMEs, NAMSEC, UN Development Programmes. The program is implemented with 390000 RON, contribution of Japan Government. The entire amount of the program is 13,321 million RON. Next location for future incubators was selected and will be Brasov and Sfantu Gheorghe.

The most recently law adopted about BI is the GD. Nr.290 / 2006 regarding the approval of National Strategy for Stimulating and Development the National Business Incubator Network

SLOVAKIA

The **National Agency for Development of Small and Medium Enterprises** (NADSME, www.nadsme.sk) promotes initiation, development and growth of small and medium enterprises in the Slovak Republic, while respecting the structural. NADSME was based on appointment of the Ministry of Economy from 1993. The Agency has been co-ordinating and implementing supporting activities oriented towards the small and medium enterprises sector in Slovakia. The scope of Agency’s activities also includes co-ordination, legislation and information issues which can be summarised as follows:

- NADSME activities under the National Programme for the Implementation of the Acquis Communautaire (NPAA);
- Co-operation in the implementation of the state policy of SME support and development;
- Activities to improve SME support efficiency;
- Co-operation with institutions associating entrepreneurs;
- Information activities;
- Monitoring of the business environment.

SMEs are exceptionally vulnerable. The need to establish supporting infrastructure for SMEs lead NADSME, together with the representatives of the regions, to the idea of setting up business and technological incubators, which will provide entrepreneurs with appropriate premises, technical infrastructure, comprehensive counselling and training services, as well as with start-up capital. To companies presenting with innovative business plans, technological incubators offer special premises such as laboratories and testing rooms.

With the financial aid from the PHARE program, NADSME managed to construct and/or rehabilitate in 2003 buildings of technological incubators in Košice, Bratislava and Prešov, in 2004 in Žilina and in 2003 started with the support of the business incubators in Spišská Nová Ves and Rožňava. At the present, there is a network of 4 business and 5 technological incubators in place in the territory of Slovakia, which support newly established small enterprises with the respective regions.

SLOVENIA

The Law on the Small Business Development (1991) established the legal basis for the National SME Agency, however some time lapsed before this institution got the form of Small Business Development Centre (PCMG – Pospesevalni center za malo gospodarstvo). After 1995, PCMG started to play a strategic role in the development of the support network for entrepreneurship in Slovenia. Still, there were constant changes in the concept of the local support network and the changes in the concept of the local administration, the division between municipalities as the form of local governance (196 municipalities until 2006, up from some 62 in the mid-1990s) and the administrative units as the part of national government (around 60 units) had an impact on the development of the support.

Legal status has been undetermined until the concept of public agencies prevailed. However, the operation of the PCMG was financed from the national budget along with its project and programmes. In 2005, the new government reorganized the agency as the Public Agency for Entrepreneurship and Foreign Investment (JAPTI – Javna Agencija za Podjetnistvo in Tuje Investicije) with the aim to unify three institutions: former PCMG (Small Business Development Centre) as the strategic coordinator of the support network, Enterprise Fund as the national public fund to support financing of SMEs and the TIPO, the agency to promote foreign investments in Slovenia and to promote Slovenia on business events abroad. Finally, the Enterprise Fund remained an independent institution and other two institutions merged.

The mission of JAPTI is to promote an efficient support environment for fostering the development of entrepreneurship, crafts and self-employment in Slovenia and the promotion of the entrepreneurship culture. JAPTI acts as the coordinating body for the Small Business Support Network of some 37 Local Business Centres, coordinating national, regional and local initiatives. JAPTI coordinates the network of Local Business (Enterprise) Centres, the section of SME advisors, the network of EuroInfo Centres, national partners and other professional partners.

Today, there are three key players in support infrastructure which channel public policy instruments and measures: the Slovenian Technology Agency, technology centres and technology parks (for an extended review see Drnovšek et al., 2006). *Slovenian Technology Agency*. The establishment of the Slovenian Technology Agency was included in the Act on Research and Development Activity in order to strengthen the link between education, science and the economy. Nevertheless, setting up the agency was well behind the plans. The Agency only became operative last year. Today it faces several problems regarding its mission, competencies and financial support (Dovč, 2005).

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

In 2003, the Agency for Support of Entrepreneurship was established. Today there are 5 regional foundations for SME development, 3 agencies for support of enterprises, 1 regional agency for assistance of enterprises, four agencies for transfer of technology in 2 universities, 1 Euro-info correspondent centres and 7 business incubators. These institutions assist enterprises through consultancy services, educational courses, and business information. The centre for initiation of development of SMEs in frames of the Chamber of Commerce of Macedonia. There are opened 17 local centers (LED) for economic development, which in the process of decentralization will have important role.

TURKEY

The National SME Agency is **KOSGEB, Small and Medium Scale Enterprises Development Organization Foundation**, established with a special Law No: 3264 published on 20 April 1990 in Official Gazette. KOSGEB is a semi-autonomous public institution (board consists of both government members and private sector representative organizations) and the primary objective of KOSGEB is “to improve SMEs share and efficiency in Turkish economy and enhance their competitive capacity” (www.kosgeb.gov.tr). In other words, KOSGEB objectives are; a) improvement of SME technological skills, b) improvement of SME performance by means of the technical assistance programs, including training c) Providing financial support to SMEs d) Improvement of SME managerial capacities. To achieve these objectives, KOSGEB has established several kinds of support programs, which aim to improve strategic target approach in SMEs.

22 types of supports are provided by KOSGEB to the enterprises via the business plan, which is prepared by needs of enterprises and characteristics of mentioned programs. Initially this support was targeted at the manufacturing sector, but is in the process of being extended to cover all types of small businesses.

KOSGEB operates 25 Enterprise Development Centers (İGEM) and 10 Laboratories in SIE and OIZ where SMEs overwhelmingly exist, and 18 Technology Development Centers (TEKMER) in several university campuses. There are 6 research centers established by KOSGEB in Ankara to improve its SMEs policies and their tools. In addition, 41 Synergy Centers, which were established by cooperating with NGOs (Non-Governmental Organizations) and Professional Chambers, serve in cities and regions where KOSGEB Centers have not been established yet. Within the context of Privatization Social Support Project II, 4 İGEM will be established between 2006-2009. Moreover, 4 İGEM will be established within the context of Women Entrepreneur Project to be implemented by EU, KOSGEB and TİSK (Turkish Confederation of Employer Associations). Another service is KOSGEB Small and Medium Enterprises Network (KOBİ-NET); it has attracted 40.000 enterprises as members so far. On the other side, approximately 2.500 university students are given entrepreneurship training by KOSGEB in 2005-2006.

Another implication of KOSGEB is Technology Incubators without Walls (TIW), which are established according to an agreement between KOSGEB, universities and provincial chambers of industry. TIW are established in the provinces where TEKMERs do not exist and the same services and support programs are provided by KOSGEB through TIW. Currently there are 40 TIW spread in seven cities. ORTKAs (Common Facility Workshop) and ORTLABs (Common Facility Laboratory) are established as private companies jointly by SMEs with KOSGEB support. The aim of the KOSGEB support is to develop a culture of co-operation and to create a network between SMEs increasing productivity, production and product quality. In this process, KOSGEB provides machinery and equipment support for the establishment of ORTKA and or ORTLAB when needed

machinery and equipment cannot be bought by themselves. Currently 37 ORTKAs enterprises in 16 provinces and 16 ORTABs enterprises are in 13 provinces.

UKRAINE

The political and economic transformation processes in Ukraine in the middle of the 1990s including rapid quantitative growth of SME sector, changes (sometimes dramatic ones) in educational and scientific institutions (cutting down state financing of scientific research and innovation activity, flow-out of scientists into private sector), lack of basic business knowledge and skills among start-ups at this very period had pushed establishment of first business incubators.

It should be noted that almost all pilot business incubators in Ukraine appeared based on active methodological and financial support of technical assistance programs by USAID, TACIS etc. The practice of creating business incubators by the Program of Social Adaptation of Former Military Personnel of International Renaissance Foundation (Soros Foundation in Ukraine) was very impressive, when business incubators were established for specific target group – businesses founded by officers discharged from the Armed Forces of Ukraine. Unfortunately despite success of implementation of these pilot projects and positive experience gained in solving social and economic problems of the regions, unlike other countries where business incubation has gained status of state programs of support of SMEs and innovative entrepreneurship, Ukrainian structures for support of small and medium-sized business still operate and develop on their own without system state policy.

According to data of the State Committee for Regulatory Policy and Entrepreneurship over 70 business incubators are registered in Ukraine today. According to monitoring of activity of business incubators, which has recently been undertaken by Ukrainian Association of Business Incubators and Innovation Centers (UBICA) real quantity of business incubators turned out to be much smaller and constitutes only about 10 really operating business incubators.

Among the wide range of business incubators operating in developed countries the most typical one for Ukraine is the business incubator, which renders **services to different clients** and **technological/innovative**, sometimes focused on specific business and/or certain social group (youth, women, ex-military men etc.). Business incubators put in front of them such main tasks as:

- fostering establishment, growth and development of small and medium-sized businesses, newly created or established by the unemployed through rendering educational and training as well as consultative assistance, professional training of specialists of small and medium-sized business in Ukraine; and
- support of creation and wide application of new technologies, information systems, which would be competitive at the world market, enhancement of impact of innovative factors on structural transformation of economics.

Integrated Development of SMEs

The Integrated Development of SMEs in countries in transition and developing countries requires action at three levels:

Strategic Level (hierarchy 1)

At the strategic level, there is a need for the development of a sustainable environment. This requires -

- Government policy and commitment to promote the creation and growth of entrepreneurship and the private SMEs-sector by, inter alia, elaborating policy measures
 - legal instruments on entrepreneurship and possibility of convening business;
 - Government SME support programme;
 - Allocation of financial means within the framework of the state budget;
- Commitment of the business community to facilitate the access of SMEs to market, technological and financial resources and stimulate investment;
- Creation of a political climate in the society favourable to accept private business undertaking.

Some of the stakeholders responsible at this level include: Parliamentarians, legislative and government administrative bodies with delegated tasks of planning and implementing SME promotion programs.

Istitutional Level (hierarchy 2)

At this level, there is a need for the establishment and strengthening of infrastructure (independent institutions and mechanisms) to promote SMEs by providing effective business support services, including -

- information on how to start up a business ;
- information on how to prepare business plans ;
- simple registration procedure including basic approvals and permits;
- information on how to get partners and marketing information;
- access to financial resources and credit guarantees;
- access to infrastructure and human resources;
- inexpensive real estate;
- development of a market-oriented way of thinking;
- support for innovation and facilitating cooperation among SMEs

Some of the stakeholders responsible at this level include:

1. Government and local government institutions;
2. Chambers of commerce;
3. Professional and social associations;
4. Training institutions;
5. National and regional development boards and agencies;
6. Banks and financial intermediaries; and
7. Non-governmental organizations.

Enterprise Level (hierarchy 3)

At the enterprise level, there is a need for the development of entrepreneurship and supporting SMEs within an integrated programme approach and subsectoral systems.

This can be achieved by -

- strengthening entrepreneurial and managerial skills;
- providing direct consulting services;
- establishing business information centres;
- establishing business incubators, technoparks and industrial estates;
- promoting access to technology and technology transfer;
- developing quality awareness and promoting ISO quality assurance and economy management systems with third party certification;
- developing awareness for consumer protection;
- developing awareness for intellectual property right;
- promoting linkages and supply programme to large enterprises and TNCs;
- assisting SMEs to understand the role of the ITC and promote access to this technique and means;
- internationalization of SMEs.

Some of the stakeholders responsible at this level include: Small and medium-sized enterprises, entrepreneurs, universities, testing institutions, certification bodies, consumer protection body, consulting companies.