



NEEDS AND OPTIONS FOR MEMBER STATES AND REGIONS IN SUPPORTING SELF-EMPLOYMENT AND MICRO-ENTERPRISES

FINAL WORKSHOP, 7-8 JULY 2010

WORKSHOP REPORT

National and regional bodies supporting self-employment and micro-enterprises can learn a lot from one another, and need expertise in improving the quality and impact of their promotional systems of business support and services to starters from vulnerable groups.

The final workshop on *Needs and Options for Member States and Regions in Supporting Self-employment and Micro-enterprises* brought together more than 60 representatives from ESF authorities from 19 Member States, European Institutions (Parliament, Investment Bank and four Directorates General of the Commission), NGOs representing disadvantaged groups, and experts in microfinance and business support. The workshop provided space to exchange experiences, plans and views on supporting self-employment and micro-enterprises through providing comprehensive business support services for disadvantaged groups. It enabled participants to assess common weaknesses and to share practices, governance models and quality management approaches used across Europe in schemes to support start-ups, in particular from unemployment and vulnerable groups.

The workshop heard from two keynote speakers. Professor **Alexander Kritikos** of the German Institute for Economic Research, a distinguished specialist in entrepreneurship by disadvantaged people, examined the way in which Germany has bucked the European trend by increasing the level of self-employment by 40% in the last 15 years, mainly through business start-ups by unemployed people. He deduced that people who start businesses from unemployment are driven by a combination of 'push' and 'pull' motives, achieve high survival rates (around 60%), increase their income (+20% compared to previous jobs), and create additional employment (2-3 employees). Thus, above all in times of tight budgets, it is effective to give financial support to starters. Microfinance support would best be targeted at businesses that are already under way.

Marie Donnelly, Director responsible for the newly-established Task Force on Entrepreneurship and Microfinance, explained why the EU, with the launch of the European Progress Microfinance Facility, is putting such an emphasis on support for entrepreneurship: the current economic crisis means that more people are being made redundant just at the time when public budgets are being cut and there is a squeeze in lending by banks. Entrepreneurship is a key element in achieving the goals of the Europe 2020 strategy – smart, sustainable and inclusive growth.

What issues need to be tackled to improve the quality and impact of business support and services to starters?

Participants, divided into parallel working groups, started to discuss this question by considering the results of the SWOT analyses that had been conducted on 12 EU countries or regions: Belgium (Flanders), the Czech Republic, France (Nord), Germany (Saxony), Hungary, Italy, the Netherlands, Lithuania, Poland (Wielkopolska), Romania, Spain (Catalonia) and the UK (London). Discussions focussed on validating the weaknesses and needs identified in the study, and on generating a common understanding of the process of



business support, and its governance and suitability to user's needs. They were animated by case stories illustrating what the ESF does or could do to promote and ensure high quality services for starters from vulnerable groups, and highlighting the lessons learnt for designing, implementing, co-ordinating, and fine-tuning effective schemes.

The case story on the topic of **outreach and pre-start support** was the London-based Association of Community-Based Business Advice (ACBBA),¹ presented by Teresa Bednall. ACBBA's success in helping ethnic minority entrepreneurs rests on providing role models that their clients can identify with, and training members of minority communities as 'embedded' business advisers.

As regards support for **start-up and early years** (through help with business planning, coaching and mentoring) the case was Germany's *Gründercoaching Deutschland* scheme.² It was presented by Ralf Sanger from the Institut fur Sozialpadagogische Forschung in Mainz. Its strengths are its adequate funding (€700 million of ESF support), its delivery through regional partners (chambers of commerce, regional development agencies etc.), and its focus on business start-up from unemployment. A weakness is that its delivery through a web-based data-base of consultants makes it hard to reach excluded groups. Whilst the voucher system allows entrepreneurs to choose which adviser they use, the downside is that this relies on the entrepreneurs themselves identifying their coaching needs – which they are not always best placed to do. Proactive outreach is still needed to reach groups such as migrants and women.

The third working group studied the issue of the **governance and co-ordination** of business start-up support, with the aid of Tim Heath of the East London Small Business Centre.³ ELSBC works with multiple income streams derived from different public-private partnerships, which puts a premium on having separate staff to provide business support and microfinance, and on evaluating results objectively.

After discussing the weaknesses that had been observed in the countries and regions concerned, participants formulated and voted on a set of statements. They concluded that the following changes would be the most beneficial in improving the quality and impact of their support services:

- Business support services need to be strategically planned, starting with research on what the market needs are;
- The image of self-employment needs to be improved through high-level promotion;
- A more transparent and officially recognised system of quality accreditation for business advisers is needed;
- Coaches' skills and personalities need to be better matched to clients' needs – people are needed who have both business and social skills. Basing them in communities is an effective method of outreach;
- Coherent, efficient and effective support needs to be ensured through co-ordination and developing interfaces and synergies between schemes;
- The ESF should make self-employment more central among its concerns, and simplify its eligibility and reporting conditions;
- Pre-start support needs to be linked to post-start support;
- Monitoring and evaluation needs to be in place. Microfinance for social inclusion needs to be assessed using indicators that are not only financial, but include social factors such as education and inclusion.

¹ <http://www.communitybasedbusiness.co.uk/>

² <http://www.gründercoaching-deutschland.de/>

³ <http://www.goeast.org/>



Options for delivering EU level assistance and facilitating mutual learning

In the second part of the workshop, participants explored and prioritised needs, issues and instruments for suitable and effective support at EU level. Again, practical examples were presented to illustrate the type of instruments and tools that could be made available through peer learning and expert assistance at EU level to support national bodies and ESF management in improving their support systems:

- provision of diagnostic tools;
- transfer of good practice, through exchange events, learning seminars, peer reviews, study visits, policy forums;
- assistance in quality management, through introducing qualification systems for advisers, accreditation systems for organisations/services, scorecards and customer satisfaction surveys;
- strengthening the capacity of administrations, through training sessions, mobility (internships and assistantships), etc;
- capitalisation of practices and lessons learnt, through good practice case studies, handbooks, expert databases, etc;
- peer and expert consultancy missions.

Participants expressed the highest level of demand for tools to **build the capacity of public administrations** – and this was the dominant need in the **new Member States**. Capacity needs to be built to adopt a strategic approach, to manage microfinance, to increase administrative responsiveness, and to improve evaluation and measuring social return (by using tools such as Social Return on Investment – SROI).

The need for a more **strategic approach** would best be addressed through tools for diagnosis and market research, while streamlining administration calls for peer reviews, action planning, study visits, case studies and technical assistance.

Other key areas for the transfer of experience are outreach, the welfare bridge, and quality standards. The co-ordination of delivery and the simplification of procedures are probably best addressed through networking and the sharing of good practice.

It emerged that some types of tool can be used to address a wide range of issues. For instance, by defining the issues, gathering views from all stakeholders and presenting the results clearly, the **benchmarking tool**⁴ developed by the COPIE community of practice on inclusive entrepreneurship performs a multifunctional role. It addresses the issues of outreach, geographical coverage, diversity, delivery co-ordination, networking, policy co-ordination and the use of internet tools. It can be implemented for between €10,000 and €20,000. Similarly **study visits** can be used to tackle outreach, delivery co-ordination, networking, branding and marketing, user empowerment and the diagnosis of problems.

One suggestion was to develop a composite method of rapid intervention, which would chain together a succession of processes. Starting with an expert mission to map out the shape of the business support service available in a region and diagnose the problems, the process would move on to conduct a participative stakeholder SWOT analysis, collect and share good practice, and develop an action plan for the improvement of business support.

In the **old Member States**, the issues of coaching quality and outreach took precedence, and a possible route would be to build on existing tools such as the German *Gründerpass* or enterprise passport.⁵ This document provides a clear record of the objectives and achievements of each budding entrepreneur as they progress along the road to economic independence. It helps the entrepreneurs and their coaches, trainers and support agencies to develop and follow a clear and appropriate plan.

⁴ http://copie.esflive.eu/european_tool.html

⁵ http://www.iq-enterprise.de/index.php?article_id=47